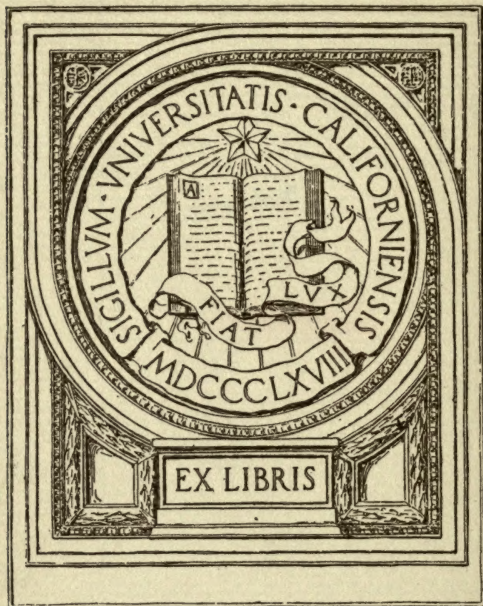



EXCHANGE



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Pennsylvania General Assembly
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REPORT

THE JOINT COMMITTEE OF THE
SENATE AND HOUSE OF REPRESENTATIVES
OF THE COMMONWEALTH OF PENNSYLVANIA
TO CONSIDER AND REPORT UPON A REVISION OF
THE CORPORATION AND REVENUE LAWS
OF THE COMMONWEALTH

TO THE LEGISLATURE

Pursuant to Joint Resolution of May 13, 1909

WITH APPENDIX

Containing the Testimony taken before the Committee

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**To the Senate and House of Representatives
of the Commonwealth of Pennsylvania:**

Gentlemen: By concurrent resolution of your Honorable Bodies, approved by the Governor, May 13, 1909, P. L., 944, it was provided as follows:

IN THE HOUSE OF REPRESENTATIVES, MARCH 30, 1909.

A. CONCURRENT RESOLUTION PROVIDING FOR THE APPOINTMENT OF A JOINT COMMITTEE OF THE SENATE AND HOUSE OF REPRESENTATIVES TO CONSIDER AND REPORT UPON A REVISION OF THE LAWS OF THIS COMMONWEALTH RELATING TO CORPORATIONS AND TO REVENUE; FOR THE EMPLOYMENT OF COUNSEL AND OTHER NECESSARY OFFICERS AND EMPLOYEES, AND GIVING IT THE AUTHORITY TO COMPEL THE ATTENDANCE OF PERSONS AND THE PRODUCTION OF BOOKS AND PAPERS.

Resolved (if the Senate concur), That the President *pro tempore* of the Senate shall appoint three Senators, and the Speaker of the House of Representatives shall appoint three of its members, which shall constitute a joint committee, whose duty it shall be to consider the laws of this Commonwealth relating to corporations and to revenue and the practical working thereof, and to report to the next Legislature whatever changes may be deemed necessary therein, together with the draft of an Act or Acts of Assembly to accomplish said changes, and together with such recommendations as may be deemed necessary relative to the administration of existing laws or as to the enforcement of said suggested Act or Acts. Said Committee shall have power to elect its own chairman, to sit after the adjournment of the Legislature, to employ legal counsel and such other officers and employes as may be needed to enable it to properly perform its duties as aforesaid; but its expenditures shall be limited to the amount provided therefor in the general appropriation bill to be passed at this session of the Legislature, and shall be paid out of the State Treasury upon vouchers signed by the Chairman of said Committee.

Said Committee shall also have power to issue subpoenas signed by its Chairman, requiring the attendance of persons and the production of books and papers, as in its judgment will assist in the performance of its duties as aforesaid.

Said Committee shall make a full report in writing to the Governor of the Commonwealth of its findings, with such recommendations as it may deem proper, six months prior to the meeting of the General Assembly in the session of 1911.

Approved, the thirteenth day of May, A. D. 1909.

EDWIN S. STUART.

In compliance with the said resolution your committee has the honor to report:

Pursuant to the direction of the resolution your Committee, July 1, 1910, submitted a report to the Governor, and in it expressed the views of the Committee of the proper course to be pursued in the performance of their duties and their action thereabout and it will not be amiss to repeat here.

After reciting the above Resolution the report proceeded:

It will be noted there are two subjects submitted for our consideration: Revenue, and a Revision of the laws of the Commonwealth relating to Corporations, each of almost unlimited magnitude and of vital interest and importance to the people. For present consideration we will reverse their order in the Resolution.

The collection of revenue for the support of the Government is a problem the solution of which has enlisted the best efforts of man from the beginning of civilization, and divers are the methods which have been used in the belief or hope that satisfactory results would be attained; but whilst we have progressed in this, as in all else, and are nearer to the solution than ever before, there is much yet to be done to accomplish that uniformity and equalization contemplated by our Constitution and laws.

We have approached the performance of the work entrusted to us as respects State revenues fully appreciative of the fact, which is conceded by the best informed authorities upon the subject, that our "revenue laws have put us easily in the front rank of American Commonwealths," and yet we know that there is room for improvement, but just how changes can be made which will effect a closer approach to equalization upon and uniformity among all upon whom taxes should be imposed for the support of the Commonwealth and for its legitimate ex-

penditures, is a subject of the gravest concern to those who would make the attempt.

This is not astonishing, for taxation is of all things a matter in which the people of a popular Government are least willing to depart from the long-accepted theories. They require first to be convinced. But as taxation is a complex subject, and not popularly entertaining, it is difficult to overcome the public fear of making bad matters worse by new departures.

A law which has not the support of the great body of public sentiment would not be wise or practical, and this is especially true of legislation relative to taxation.

To the end that the opinions of all our people should be had we have mailed upwards of forty-two thousand letters, substantially as follows:

* * * * *

DEAR SIR:—The Legislature of Pennsylvania on May 13, 1909 (P. L., 944), adopted the following resolution:

*“Resolved, That the President pro tempore of the Senate shall appoint three Senators and the Speaker of the House of Representatives shall appoint three of its members, which shall constitute a Joint Committee whose duty it shall be to consider the laws of this Commonwealth relating to corporations and to revenue, and the practical working thereof, and to report to the next Legislature whatever changes may be deemed necessary therein, together with the draft of an Act or Acts of Assembly to accomplish said changes, and together with such recommendations as may be deemed necessary relative to the administration of existing laws or as to the enforcement of said suggested Act or Acts. * * **

“Said Committee shall also have power to issue subpoenas signed by its Chairman, requiring the attendance of persons and the production of books and papers, as in its judgment will assist in the performance of its duties as aforesaid.”

* * * * *

The Committee is collecting data upon the formation, regulation and taxation of corporations and the appropriation of State Revenue for all purposes, in this State, in all of the United States, by the Federal Government, and by other nations. These subjects are being specially discussed and legislated upon at the present time throughout the world.

The Committee desires the co-operation of all interested in these subjects, and requests your opinion as to any defects in

the present laws of the Commonwealth relating to the formation, regulation and taxation of corporations, associations, partnerships or individuals, the exemption of them or any of them from taxation, the appropriation of the revenue of the State, and any changes therein which you may think necessary.

You will notice that the Resolution requires a report of the Committee to be filed with the Governor in July, 1910, and we therefore request an early reply, as it is important that all suggestions be received for consideration prior to the public meetings which the Committee may hold. We should also be glad to have from you the names and addresses of any persons whom you may know who are specially qualified to give to the Committee information or assistance in the consideration of these most important subjects.

Very truly yours,

GABRIEL H. MOYER,

Secretary.

These letters were mailed to *all* of the individuals, institutions and associations and corporations in the State as follows:

National Banks,
 State Banks,
 Trust Companies,
 Savings Institutions and Bankers in the State,
 Members of the Lawyers' Club, and of the Law Association of Philadelphia, and
 Members of the County Bar Associations and representative Lawyers of Pennsylvania,
 Newspapers in Pennsylvania,
 Trade Journals,
 Commercial Journals,
 Medical Journals,
 Dental Journals,
 Legal Journals,
 Members of the Pennsylvania Bar Association,
 Trade Associations,
 Business Associations,
 Building and Loan Associations,
 All Judges of all Courts,
 Insurance Companies,
 State Officials,
 County Officials (every county),
 Members of State Senate,
 Members of House of Representatives,

Mayors of principal cities, boroughs, &c.,
 Officials of Hospitals,
 Homes, State Institutions, semi-State Institutions,
 Manufacturing Companies,
 Gas Companies,
 Water Companies,
 Land Companies,
 Land Improvement Companies,
 Homestead Companies,
 Hotel Companies,
 Miscellaneous Companies,
 Brick Companies,
 Clay Companies,
 Stone Companies,
 Slate Companies,
 Quarry Companies,
 Bridge Companies,
 Turnpike Companies,
 Brewing Companies,
 Distilling Companies,
 Coal Companies,
 Coke Companies,
 Coal Mining Companies,
 Oil Companies,
 Mining Companies,
 Light, Heat and Power Companies,
 Market Companies,
 Railroad Companies,
 Railway Companies,
 State Grange,
 Transportation Companies,
 Ferry Companies,
 Telephone Companies,
 Telegraph Companies,
 Fertilizer Companies,
 Electric Light Companies,
 Foreign Corporations registered with the Auditor General.

And to thousands of representative citizens throughout the State known to us, or of whom we were informed, as being interested in the subjects involved.

In fact, every interest of the Commonwealth affected by the payment to, or expenditures by, the Commonwealth, or having to do with the creation and regulation of corporations was so recognized; and appreciation of this recognition was duly expressed in several thousands of communications containing

opinions, suggestions and recommendations almost as varied as the number of writers, to all of whom we have replied, and with many of whom we have discussed the subjects written of to elicit the fullest exposition of their views.

We have also collected data upon both of the subjects—the formation and regulation of corporations and State revenues, from all of the United States, from the Federal Government and from Foreign Countries.

We have, after due notice published in all of the newspapers of the respective localities, held public meetings as follows:

IN PHILADELPHIA, at which were heard Committees and representatives from all Hospitals and all Charitable Institutions in that City and surrounding Counties, Medical Societies, semi-State Institutions, Educational Institutions, State Board of Public Charities, Philadelphia College of Physicians, Financial Institutions, Trust Companies, Section of American Bankers' Association, Real Estate Brokers' Association, Association of Life Insurance Presidents, Private Bankers' and Brokers' Associations, Board of Revision of Taxes, County Officials, Manufacturers' Club, Pennsylvania Manufacturers' Association, Pennsylvania Tax Reform Association, Corporations of all classes and representative men prominent in general activities, and county tax officials from Montgomery, Chester, Lancaster, Berks, Delaware and Bucks Counties.

IN PITTSBURGH, PA., at which were heard Committees and representatives from all Hospitals, Homes and all other Charitable Institutions in that city and surrounding counties, Manufacturers, Bankers, Trust Companies, Savings Institutions, Coal operators, Brokers and City officials, County officials, County Tax Revision Board, Lawyers, Committees of Allegheny County Bar Association, Real Estate Brokers, Single Tax Society, Educational Institutions, Chamber of Commerce, Board of Trade, Chamber of Commerce of McKeesport, Pa., Chamber of Commerce of N. S. Pittsburgh, Insurance Companies, Allegheny County Laundrymen's Association, Manufacturers' Association, Corporations of all classes, the Mayor and representative men of that locality.

IN WILLIAMSPORT, PA., at which were heard Committees and representatives from all Hospitals, Homes, and all other Charitable Institutions in Williamsport, Universities, Bar Association, Board of Trade, Financial Institutions, Business and Trade Associations, City and County Officials, Pennsylvania State Grange, Manufacturing Companies, Corporations of all classes,

Board of Assessors, Board of Revision of Taxes, Lawyers and representative men of the locality.

IN ERIE, PA., at which were heard Committees and representatives from all Hospitals, Homes and all other Charitable Institutions in Erie and surrounding counties; Financial Institutions, City and County Officials, Manufacturers' Association, Board of Trade, Chamber of Commerce, Business Men's Association, Bar Association, Associated Charities, Manufacturing companies, Corporations of all classes and representative men of the locality.

IN SCRANTON, PA., at which were heard Committees and representatives from all Hospitals, Homes and Charitable Institutions, City and County officials, Board of Associated Charities, Board of Trade, Board of Control, Medical Societies, Bar Associations, Merchants' Associations, Public Service Corporations, Coal companies, Financial Institutions, Brokers, Manufacturing companies, Corporations of all classes and individuals who were the representative men of the locality.

These public meetings were given the widest publicity by the newspapers in the several localities, and were the subject of favorable editorial and news comment. We were cordially received in these several cities, and the interest of the people in our proceedings, and their knowledge and discussions of the subject considered, were remarkable and helpful.

As the State should not collect revenue in excess of its requirements and as there has been some criticism of appropriations to Hospitals, Homes and other Charitable Institutions not under State control (a total of \$26,402,778.99, and for the years 1909-1910, \$5,446,900), we have made inquiry, and are still investigating, as to the propriety of such appropriations and the methods of the disposition thereof. Much valuable information has been obtained which we believe will enable us to make recommendations to the Legislature which will be of benefit to the Commonwealth and to the institutions.

To the subject of the revision of the corporation laws of the Commonwealth we have given much consideration. The Pennsylvania Bar Association and the County Bar Association and others believed to be specially qualified have been appealed to for co-operation, to the end that our present system of laws for the creation of corporations and their government may be improved. We have received many suggestions for amendments to present laws and for legislation covering subjects not heretofore included. These suggestions, like those affecting the State revenue, are many and varied, but we have deemed it unwise to at-

tempt at this time to conclude our action thereon, believing that the importance of the subject justifies the use of all of the time possible for their consideration, and we will, as soon as practicable, submit to you a report thereon.

We have concluded that in view of the magnitude of the subjects submitted to us a proper and comprehensive consideration thereof at this time would be not only impracticable, but, so far as to the attainment of beneficial results, impossible.

Before and at the time of the creation of this Committee there were pending in Congress several measures affecting both the subjects under consideration, notably the Act imposing an excise tax on corporations, joint stock companies, associations and insurance companies, which was approved August 5, 1909, and it was not until December 3, 1909, that the Secretary of the Treasury promulgated the regulations for the enforcement of that Act, and litigation thereunder is still pending.

This and other proposed Federal legislation and the discussion and litigation relating to the enforcement thereof have caused before and during the whole of the time of the existence of the Committee much unrest and anxiety among the corporations of this State, from which the largest part of the State revenues are derived. It is the consensus of opinion of those qualified to know, in which we concur, that it is for the best interest of the Commonwealth and for the general welfare of our people that there should be no haste in the filing of our conclusions until all possible investigation can be had. For these reasons and in view of the numerous recent requests for further hearings from associations and interests including nearly every business activity, we have deemed it wise to defer our findings and will present them to you at the earliest time practicable, in the meantime continuing our inquiry. We beg to direct your attention to the accompanying notes of testimony taken before us, and a summary thereof.

Respectfully submitted,

JAS. P. McNICHOL,

Chairman.

WM. H. KEYSER,

WM. C. SPROUL.

JAS. F. WOODWARD,

D. HUNTER, Jr.,

GABRIEL H. MOYER,

Vice-Chairman and Secretary.

Since the making of the report to the Governor your Committee has given further publicity to the hearings and to the subjects of their labors in general. All the newspapers and journals of the State have been requested to give such notice and have generally complied. In all to-date upwards of 82,000 letters requesting suggestions and advice have been sent to persons and corporations throughout the United States.

The result has been the receipt of a great number of briefs, drafts of Acts, tables of statistics from public officials, pamphlets and the like.

Various tax reform associations have furnished your Committee with the results of their work and have requested co-operation. By direct communication with the officials of the several States your Committee has been furnished with State publications of corporations and taxes, and much information as to the practical experience in the operation of laws of other States has been obtained.

Since the report of July 1, your Committee has held public meetings in Philadelphia and taken a large amount of testimony from those voluntarily appearing before them, which is transmitted herewith, together with that previously taken and submitted to the Governor.

In all 177 persons spoke at these hearings, gave their opinions and suggestions, and were questioned by your Committee and Counsel. They included representatives from tax reform associations, business men's associations, boards of trade, the Pennsylvania State Grange, factories, financial institutions, public service corporations, hospitals and various public officials, county commissioners and controllers, judges, county treasurers and professional men, such as lawyers, doctors, real estate brokers and interested citizens in general. Many thousands appeared as spectators but affected by the subjects under consideration. Many important suggestions were made. Your Committee gave the utmost latitude for discussion and suggestion, both at the public hearings and by means of letters

and arguments submitted to it in written form, and the public hearings were a great practical success.

Counsel for the Committee attended all the hearings and aided in questioning those who appeared, and in general consulted with your Committee in all the steps taken and conclusions arrived at.

At a meeting of the International Tax Association, held in Milwaukee, Wisconsin, on September 2, 1910, Francis Shunk Brown, Esq., the counsel of your Committee, attended as a delegate of the Commonwealth of Pennsylvania by appointment of the Governor, and obtained valuable information.

CORPORATION LAWS.

While most of the information and argument addressed to your Committee was on the subject of the revenue laws of the State, yet a great deal of material was gathered on the subject of the corporation laws generally which was entrusted to them by the Resolution.

Aside from the Acts applying specially to all varieties of corporations, and particularly to railroad, insurance and banking corporations, some of which are incorporated under statutes existing prior to 1873, corporations of the class known generally as business corporations are incorporated in our State under the Act of April 29, 1874, and its very numerous amendments and supplements, which amount to the number of fifty-seven. In addition there are over a hundred other Acts which apply to the same subject.

It is an undoubted fact that in the thirty-six years during which the law has been in existence, in consequence of these supplements and amendments, the law has unavoidably fallen into a state of contradiction and confusion on many points (particularly by reason of subsequent amendments ignoring those previously made), and is in some other points not in accord with the modern trend of legislation. Many matters have been suggested as to which these laws may be improved; and these have commended themselves to your Committee. But they do not feel that the situation is one which calls for a piece-meal revision. The laws are familiar and have been construed on most moot points, so that their operation upon everyday matters is well understood. It is not deemed advisable to recommend any radical changes until a complete revision of the whole body of the law can be presented ✓

as a corporation code or system, and such few matters as need to be cleared up or supplied can be deferred until that time. Such changes from the settled policy of the State as are deemed presently advisable can be better made in this way, and be better fitted to the body of the existing law.

A uniform business corporation law is now under consideration by the Conference of Commissioners on Uniform State Laws. The first draft of such a law was made and printed in December, 1909, and presented for public discussion and your Committee has been much interested in its perusal. At the same time this is not the final draft of the law, some parts of it having since been further revised and furnished to your Committee; and a further revision is to follow. The Commissioners have themselves advised your Committee under date of October 21, 1910, to defer action in this regard. In view of the very general adoption of many of the laws recommended by this Conference, Pennsylvania having adopted the Negotiable Instruments law (1901, P. L., 194) and the Warehouse Receipts law (1909, P. L., 19), your Committee feel that before a general revision of the corporation law is undertaken, the proposed uniform business corporation law should have careful consideration.

Following the report of a special committee, the Pennsylvania Bar Association, at its meeting in 1910, adopted a resolution for the appointment of a committee to draft and present an Act to the next Legislature for the appointment of a commission to revise and unify the statutes of the State. The majority of the Bar Association Committee has determined that the task of going over the whole statute law is too much to be done in the first instance, and has recommended that a definite branch of the law be considered by such a commission to report to the Legislature of 1913, and that the branch of the law to be taken up should include, among other things, private corporations, meaning by this to exclude public service corporations, insurance companies and the like.

If your committee is continued it will co-operate with that of the Bar Association in the consideration of this most important subject. This action of the committees of the Bar Association successively narrowing the field of proposed statutory revision is another evidence of the very large nature of the task, which has made it impracticable if not impossible for your Committee, with the means at its disposal, to do aught but lay some of the ground for future work.

Your Committee, therefore, does not submit any recommendations with respect to the laws in general governing the organization and conduct of corporations. If the duties of the Committee be continued, as hereinafter recommended, this and other subjects not presently ripe for legislation can be investigated and considered and reported upon to the Legislature of 1913.

FOREIGN CORPORATIONS.

There is one branch of this law, however, which has an intimate relation to State revenue, and has been the subject of much legislation in other States, with the course of which this State has not kept pace, to wit: the treatment of foreign corporations. The law relating to foreign corporations in Pennsylvania is incomplete, and in some particulars unwise. Your Committee, therefore, submits drafts of proposed Acts with regard thereto (See pages 16 and 36), together with notes attached to each Act explanatory of the provisions thereof.

The first of these Acts is a general foreign corporation law relating to the subject of the registration of foreign corporations in order to bring them within the reach of the process of our courts for the benefit of our citizens who deal with them, and within the reach of our taxing authorities. While the existing laws provide for registration, designation of office and the appointing of agents for the serving of process, many corporations fail to comply with the law. It is ineffective in not providing a means of reaching the corporation which ignores the law and defies the penalties. It is well known that there are a great many such corporations. This proposed Act (see page 16), therefore provides for a means for regulating foreign corporations by designating a State officer upon whom process may be served, if the corporation fails to make a designation. This has been the law with regard to foreign insurance companies for many years in this State and it is a very common provision elsewhere. Its validity has been sanctioned by the Supreme Court of the United States, as stated in the foot note to the Act. The Act also

makes the modes of procedure uniform for all classes of foreign corporations.

Existing penalties by way of fine and imprisonment for failure to register have been preserved except the penalty added to the law by judicial construction which declares contracts made by unregistered foreign corporations to be void and permits no recovery at law upon them, however just the claims may otherwise be. This drastic ruling has not been effective to compel compliance with the law by the smaller and more irresponsible corporations, and has been productive of great injustice in permitting the escape of the payment of just debts in a way which produced no State revenue (for the defect could not be cured by registering and paying taxes), and put money in the pocket of those with a sufficiently small conscience to permit them to make the plea. This was recognized by the Legislature of 1907 (P. L. 205), which passed an Act validating such contracts theretofore made, on registering and paying taxes and penalties. The Act as drafted and submitted by your Committee makes this the law for the future, and will produce greater revenue for the State and at the same time do justice between private litigants. If the Legislature does not amend the general foreign corporation law by enacting this bill, it is recommended that they alter the existing law in this regard in accordance with the policy previously announced by it, and to accomplish this a draft of Act is submitted herewith modeled on the law of 1907. (See page 36.)

Foreign corporations which comply with our laws are permitted to hold real estate in Pennsylvania by the proposed Act. There have been numerous Acts permitting certain classes of foreign corporations to hold real estate. These Acts have been carelessly amended so that there is much existing confusion in the laws, the opinion being that some Acts have been impliedly but unintentionally repealed by failure to refer to them in amending Acts. If the Legislature is of opinion that foreign corporations

in general be not permitted to hold real estate, it is recommended that supposedly existing laws on the subject should be put in one enactment in order that the law may be clear and for that purpose a draft of Act is herewith submitted. (See page 36.)

Other matters touched on in the general Act relate especially to foreign corporations doing their principal business here. Their foreign birth is an accident, and their internal affairs should be subject to the jurisdiction of our courts, and they should be forbidden the Federal Courts as far as possible.

[The numbers in the text refer to the foot notes, beginning page 27.]

AN ACT TO REGULATE FOREIGN CORPORATIONS, THAT IS TO SAY, CORPORATIONS, JOINT STOCK COMPANIES, PARTNERSHIPS LIMITED, PARTNERSHIP ASSOCIATIONS AND ALL ASSOCIATIONS HAVING ANY OF THE POWERS OR PRIVILEGES OF CORPORATIONS NOT POSSESSED BY INDIVIDUALS OR PARTNERSHIPS ORGANIZED UNDER ANY LAWS OTHER THAN THOSE OF THIS COMMONWEALTH, DOING BUSINESS IN THIS COMMONWEALTH.

SECT. 1. Be it enacted, etc. A foreign corporation shall not do any business in this Commonwealth until said corporation shall have established an office and appointed an agent for the transaction of its business therein. (1)

SECT. 2. It shall not be lawful for any such corporation to do any business in this Commonwealth until it shall file in the office of the Secretary of the Commonwealth, and in the office of the Recorder of Deeds for the County in which its principal office is located, a copy of its articles of incorporation or of its charter or of the statute or legislative, executive or governmental acts or other instrument of authority by which it was created and all alterations and amendments thereof. (2) duly certified by the authorized officer of the government under the laws of which such corporation was organized, (3) and in the office of the Secretary of the Commonwealth a statement under the seal of said corporation and signed by the president attested by the secretary thereof, showing the title and object of said corporation, the location of its principal office for the transaction of business in this Commonwealth and the name or names of its

authorized agent or agents therein. (4) A fee of One hundred dollars (\$100.00) for filing such statement shall be paid to the Secretary of the Commonwealth for the use of the State.

SECT. 3. Any person or persons, agent, officer or employee of any such foreign corporation who shall transact any business within this Commonwealth for any such foreign corporation without having complied with the provisions of this Act shall be guilty of a misdemeanor and upon conviction thereof shall be punished by imprisonment not exceeding thirty days and by a fine not exceeding one thousand dollars (\$1,000), or either, at the discretion of the Court trying the same; (5) but the said person or persons, agent, officer or employee, shall not be personally liable for any acts done in the transaction of business within this Commonwealth for such foreign corporation, except in the case of insurance companies. (6)

SECT. 4. If any foreign corporation shall do any business in this Commonwealth without having complied with the laws of this Commonwealth relating to the doing of business in this Commonwealth by foreign corporations (7) all contracts relating to such business made or to be performed within this Commonwealth shall be void (8) and no action at law or in equity for any cause of action arising out of such doing of business shall be maintained by it in the Courts of this State, (9) but if any foreign corporation, prior to the commencement of an action on any contract made heretofore or hereafter without having so complied, or prior to the commencement of any other action, shall comply with said laws and shall also pay the bonus on its capital stock required by law and all State taxes for each year that it shall have done business in this Commonwealth, together with such interest and penalties thereon as shall have been settled against it by the officers of this Commonwealth, such contracts made prior thereto shall be validated and such foreign corporation may maintain action thereon and all other actions both at law and in equity in the Courts of this Commonwealth (10).

SECT. 5. The doing of business in this Commonwealth by any foreign corporation shall be taken to be its irrevocable assent to be sued in the Courts of this State upon any liability arising out of acts done in the course of such business, irrespective of whether such corporation be doing business in this Commonwealth at the time suit is brought. (11.)

SECT. 6. If all the agents designated by any foreign corporation shall die or resign or be otherwise disqualified to act as the

agents of the corporation under this Act, or if their authority to act as such be revoked, and such corporation shall not within thirty days thereafter designate a new agent or agents, (12) or if such corporation shall cease to maintain as one of its offices the place designated as its principal office, and shall not designate another office in place thereof, (13) or if any foreign corporation shall do any business within this Commonwealth without the provisions of this Act being complied with, (14) the said corporation shall be taken to have consented that the Secretary of the Commonwealth or his Deputy shall be its agent for the service of process, and that service upon him or his Deputy shall be as effectual as though served upon an agent specially designated by such corporation under this Act, (15) provided, that in case of service upon the Secretary of the Commonwealth or his Deputy such process shall also be served upon such foreign corporation, or upon the officers thereof wherever it or they may be found, whether in this Commonwealth or not, in the same manner as though found in this Commonwealth. (16) Such service may be made by any competent person and proof thereof made by his affidavit. Such service shall be made twenty days before any judgment in such suit shall be rendered. (17.)

SECT. 7. Any foreign corporation may own or convey real estate within this Commonwealth as fully as any corporation might which was organized under the laws of this Commonwealth for a similar purpose (18), Provided, that such corporations, at the time of acquiring title to the real estate, shall have complied fully with the laws of this Commonwealth relating to the doing of business in this Commonwealth by foreign corporations, and provided further, that nothing in this Act shall be construed to exempt said real estate and such corporation from taxation as otherwise required by law.

SECT. 8. The non-compliance by a foreign corporation with the laws of this Commonwealth may only be taken advantage of with respect to real estate by the Commonwealth itself, (19) and before the same shall have come into the ownership of a purchaser for value in good faith. (20.)

SECT. 9. The title to any real estate in this Commonwealth now or heretofore held by, or in trust for, any such foreign corporation, is hereby confirmed to the same effect as if the said real estate had been purchased, held or owned under the provisions of this Act, upon the said corporation complying with the laws of this Commonwealth relating to the doing of business by foreign corporations and paying the bonus on its capital stock required by law and all State taxes for each year that

it shall have done business in this Commonwealth, together with such interest and penalties thereon as shall have been settled against it by the officers of this Commonwealth. (21.)

SECT. 10. In all actions the compliance by a foreign corporation with the laws of this Commonwealth shall be taken as admitted unless the party asserting non-compliance shall put the same in issue by special plea of appropriate character; and when so put in issue the burden of proving compliance shall be on the party asserting the same, and the certificate of the proper public officers as to the facts connected with such compliance shall be proof thereof. (22.)

SECT. 11. The Courts of this Commonwealth, both at law and in equity, shall have jurisdiction over all matters concerning the internal management of any foreign corporation doing business in this Commonwealth, the principal office of which for the doing of its business with the public shall be in this Commonwealth, whenever it shall appear that the judgment or decree of the Court can be enforced in this Commonwealth. (23.)

SECT. 12. If any foreign corporation which has its principal office for the doing of its business with the public within this Commonwealth shall, without the consent of record of the adverse parties, remove to a Federal Court any action pending against it in any Court of this Commonwealth, excepting in such cases as a corporation created under the laws of this Commonwealth may do so, or shall without such consent begin an action against a citizen of this Commonwealth in any Federal Court, or shall upon the request of the adverse party refuse to discontinue the same, such action on the part of the corporation shall forfeit its right to do any business in this Commonwealth, and it shall thereafter be deemed not to have complied with the laws of this Commonwealth. (24.) Such forfeiture shall be declared by proceedings in the nature of a writ of quo warranto on the suggestion of the Attorney General. (25.)

SECT. 13. The term "foreign corporation" as used in this Act shall be construed to mean all corporations, joint stock companies, partnerships limited, partnership associations and all associations having any of the powers or privileges of corporations not possessed by individuals or partnerships, (26) organized under any laws other than those of this Commonwealth.

SECT. 14. The provisions of this Act shall apply to foreign corporations of all kinds doing business within this Commonwealth, including those foreign corporations now doing business

in this Commonwealth, which shall comply with the provisions of this Act within sixty days of its passage (27), and is intended to supply a uniform system as to them. All Acts or parts of Acts, general and special, and Acts applying to particular class or classes of foreign corporations and inconsistent with the provisions of this Act be and the same are hereby repealed. (28.)

SECT. 15. The following Acts and parts of Acts be and the same are hereby repealed as to all matters arising after the date of the approval of this Act. (29.) (30.)

So much of Section 3 of an Act entitled "An Act to facilitate the collection of debts against corporations," approved March 21, 1849 (P. L. 216), as reads as follows:

"And in the commencement of any suit or action against any such foreign corporation, process may be served upon any officer, agent or engineer of such corporation, either personally, or by copy, or by leaving a certified copy at the office, depot or usual place of business of said corporation, and such service shall be good and valid in law to all intents and purposes."

Section 6 of an Act entitled "An Act relating to County Prisons, to the Foster Home Association, and Cawanesque Plank Road Company, to apportion the rent of wharves and docks in the port of Philadelphia, and relative to the service of process on foreign insurance companies and other corporations." Approved April 8, 1851. (P. L. 353.)

An Act entitled "An Act relative to insurance companies." Approved April 24, 1857. (P. L. 318.)

An Act entitled "A supplement to an Act in relation to insurance companies, approved April twenty-seventh, one thousand eight hundred and fifty-seven." Approved April 8, 1868. (P. L. 70.)

Section 13 of an Act entitled "An Act to establish an Insurance Department." Approved April 4, 1873. (P. L. 20.)

An Act entitled "An Act to prohibit foreign corporations from doing business in Pennsylvania, without having known places of business and authorized agents." Approved April 22, 1874. (P. L. 108.)

An Act entitled "An Act amending an Act, entitled 'An Act to establish an insurance department,' approved the fourth day of April, Anno Domini one thousand eight hundred and seventy-three." Approved June 20, 1883. (P. L. 134.)

So much of Section 7 of an Act entitled "An Act to further provide for the incorporation and regulation of mutual assessment corporations for the insurance of lives, supplementary to

an Act, approved May first, Anno Domini one thousand eight hundred and seventy-six, entitled 'A supplement to Act to establish an insurance department,' approved June 5, 1883 (P. L. 80), as reads as follows: "And it shall legally designate a person or agent residing in this State to receive service of process for said company, or in default of such designation, service of process may be made upon the Insurance Commissioner of this State, who shall be deemed its attorney for that purpose, and he shall immediately notify any corporation or association thus served."

Sections 1 and 2 of an Act entitled "An Act to authorize certain corporations, incorporated and existing under the laws of any other State of the United States, to purchase certain real estate at judicial sales, and to hold and convey the same under certain conditions." Approved May 23, 1887. (P. L. 176.)

An Act entitled "An Act to amend an Act, entitled 'An Act relative to insurance companies,' approved April twenty-fourth, Anno Domini one thousand eight hundred and fifty-seven, to apply the provisions of said act to live stock insurance companies and to give jurisdiction to aldermen, justices of the peace and magistrates." Approved May 13, 1889. (P. L. 198.)

An Act entitled "An Act to provide for the person upon whom service shall be had by legal process in the case of fraternal beneficial and relief societies whose status is defined by the Act of Assembly, entitled 'An Act defining fraternal beneficial and relief societies and their status, authorizing them to create subordinate lodges and to pay benefits, upon the sickness, disability or death of their members, from funds collected by dues and assessments therein, providing for their registration in the office of the Insurance Commissioner, and requiring that they shall make annual reports to him, and exempting them from taxation and from the supervision of the Insurance Commissioner,' approved the sixth day of April, Anno Domini one thousand eight hundred and ninety-three." Approved June 25, approved June 26, 1895, (P. L. 343), as reads as follows: 1895. (P. L. 280.)

So much of Section 2 of an Act entitled "An Act relative to bonds, undertakings, recognizances, guarantees and other obligations required or permitted to be made, given, tendered or filed with surety or sureties, and to the acceptance as surety or guarantor thereupon of companies qualified to act as such," approved June 26, 1895 (P. L. 343), as reads as follows: "And if such company is incorporated under the laws of any other State or country than this State, it shall, in addition

thereto, file a power of attorney appointing some resident of this State upon whom service process may be made as required by existing laws."

An Act entitled "An Act to extend for a further period of five years the time during which corporations incorporated and existing under the laws of any other State of the United States are now authorized by law to hold real estate heretofore purchased at sheriff's or other judicial sales." Approved June 8, 1897. (P. L. 136.)

So much of Section 3 of an Act entitled "An Act regulating foreign mutual savings fund or building and loan associations doing business within this Commonwealth, and prescribing an annual license fee to be paid by such associations," approved May 11, 1901, (P. L. 153), as relates to the service of process and the designation of an agent and service upon the Commissioner of Banking.

An Act entitled "An Act validating the title to real estate, taken and held by corporations of other States, without first having established known places of business and designated authorized agents for the transaction of their business within this Commonwealth." Approved April 25, 1907. (P. L. 105.)

An Act entitled "An Act validating contracts, bonds, or obligations made by corporations of other States, without first having established known places of business and designated authorized agents for the transaction of their business within this Commonwealth, and providing for the enforcement of the same." Approved May 23, 1907. (P. L. 205.)

An Act entitled "An Act relating to the service of legal process upon foreign insurance companies." Approved April 22, 1909. (P. L. 120.)

An Act entitled "An Act to enable foreign insurance corporations and joint stock companies to hold real estate in this Commonwealth." Approved June 1, 1881. (P. L. 38.)

An Act entitled "An Act authorizing companies, incorporated under the laws of any other State of the United States for the manufacture of any form of iron, steel or glass, to erect and maintain buildings and manufacturing establishments, and to take, have and hold real estate necessary and proper for manufacturing purposes." Approved June 9, 1881. (P. L. 89.)

An Act entitled "A Supplement to an Act, entitled 'An Act authorizing companies, incorporated under the laws of any other State of the United States, for the manufacture of any form of iron, steel or glass, to erect and maintain buildings and man-

ufacturing establishments, and to take, have and hold real estate necessary and proper for manufacturing purposes,' approved the ninth day of June, one thousand eight hundred and eighty-one, authorizing companies, incorporated under the laws of any other State of the United States, for the conversion, dyeing and cleansing of cotton, and other fabrics, to erect and maintain buildings for such manufacturing purposes, and for offices and salesrooms, or either, and to take, have and hold real estate necessary and proper for such purposes." Approved June 25, 1885. (P. L. 179.)

An Act entitled "A Supplement to an Act, entitled 'A supplement to an Act authorizing companies, incorporated under the laws of any other State of the United States, for the manufacture of any form of iron, steel or glass, to erect and maintain buildings and manufacturing establishments, and to take have and hold real estate necessary and proper for manufacturing purposes, approved the ninth day of June, one thousand eight hundred and eighty-one, authorizing companies, incorporated under the laws of any other State of the United States, for the conversion, dyeing and cleansing of cotton, and other fabrics, to erect and maintain buildings for such manufacturing purposes, and for offices and salesrooms, or either, and to take, have and hold real estate necessary and proper for such purposes,' approved twenty-fifth day of June, Anno Domini one thousand eight hundred and eighty-five, conferring similar powers upon companies, incorporated under the laws of any other State of the United States for the manufacture of lumber and wood products, and pyroligneous acids, acetate of lime and charcoal, by the process of destructive distillation, or the preparation of cattle hair for use." Approved April 28, 1887. (P. L. 77.)

An Act entitled "An Act authorizing companies incorporated under the laws of any other State of the United States for the establishment, maintenance and continuance of a ferry or for the maintenance and continuance of a bridge, between this State and any other State, upon or over any river flowing between said States, to erect and maintain piers and certain other buildings and structures, to hold real estate in this State and to mortgage, lease or convey the same." Approved June 6, 1887. (P. L. 352.)

An Act entitled "An Act authorizing companies incorporated under the laws of any other State of the United States, for the transportation of passengers and freight by steamboats or other vessels, on rivers or other waters between this State and any

other State, to hold real estate in this State, and to lease, mortgage and convey the same." Approved the 17th day of April, A. D. 1889. (P. L. 35.)

An Act entitled "A Supplement to an Act, entitled, 'A supplement to an Act authorizing companies incorporated under the laws of any other State of the United States for the manufacture of any form of iron, steel or glass, to erect and maintain buildings and manufacturing establishments, and to take, have and hold real estate necessary and proper for manufacturing purposes,' approved the ninth day of June, one thousand eight hundred and eighty-one, authorizing companies incorporated under the laws of any other State of the United States, for the conversion, dyeing and cleansing of cotton and other fabrics, to erect and maintain buildings for such manufacturing purposes, and for offices and salesrooms or either, and to take, have and hold real estate necessary and proper for such purposes, approved the twenty-fifth day of June, A. D. one thousand and eight hundred and eighty-five, conferring similar powers upon companies incorporated under the laws of any other State of the United States for the manufacture of lumber and wood products and pyroligneous acids, acetate of lime and charcoal, by the process of destructive distillation or the preparation of cattle hair for use,' approved the twenty-eighth day of April, one thousand eight hundred and eighty-seven, conferring similar power upon companies incorporated under the laws of any other State of the United States, for the manufacture of carbon dioxide and magnesia and the products thereof, and compositions, articles and apparatus from and in connection therewith, and for the manufacture of cotton, velvet, and other fabrics, and for the manufacture of extracts out of wood, bark, leaves and roots, or any other extracts for tanning, cleansing, dyeing or other purposes." Approved the 30th day of April, A. D. 1891. (P. L. 39.)

An Act entitled "A Supplement to a supplement to an Act, entitled, 'A supplement to an Act authorizing companies incorporated under the laws of any other State of the United States for the manufacture of any form of iron, steel or glass, to erect and maintain buildings and manufacturing establishments, to take, have and hold real estate necessary and proper for manufacture purposes,' approved the ninth day of June, one thousand eight hundred and eighty-one, authorizing companies incorporated under the laws of any other State of the United States for the conversion, dyeing and cleansing of cotton and other fabrics to erect and maintain buildings for such manufacturing purposes,

and for offices and salesrooms, or either, and to take, have and hold real estate necessary and proper for such purposes, approved the twenty-fifth day of June, Anno Domini one thousand eight hundred and eighty-five, conferring similar powers upon companies incorporated under the laws of any other State of the United States for the manufacture of lumber and wood products and pyroligneous acids, acetate of lime and charcoal by the process of destructive distillation, or the preparation of cattle hair for use, approved the twenty-eighth day of April, one thousand eight hundred and eighty-seven, conferring similar power upon companies incorporated under the laws of any other State of the United States for the manufacture of carbon dioxide and magnesia and the products thereof, and compositions, articles and apparatus from and in connection therewith, and for the manufacture of cotton, velvet and other fabrics, and for the manufacture of extracts out of wood, bark, leaves and roots, or any other extracts for tanning, cleansing, dyeing or other purposes,' approved the thirtieth day of April, Anno Domini one thousand eight hundred and ninety-one, conferring similar powers upon companies incorporated under the laws of any other State of the United States for the manufacture or printing of wall paper, lithographs or prints, and for mining and manufacture of clay into brick tile and various other articles and products produced from clay, and from clay and other substances mixed therewith." Approved the 8th day of June, A. D. 1893. (P. L. 389.)

An Act entitled, "An Act to amend an Act, entitled, 'An Act authorizing companies incorporated under the laws of any other State of the United States for the manufacture of any form of iron, steel or glass to erect and maintain buildings and manufacturing establishments and to take, have and hold real estate necessary and proper for manufacturing purposes,' approved the ninth day of June Anno Domini one thousand eight hundred and eighty-one, extending the same to companies formed for the purpose of quarrying slate, granite, stone or rocks or for dressing, polishing, working, or manufacturing the same, or any of them, and to mineral springs companies incorporated for the purpose of bottling and selling natural mineral springs water." Approved the 16th day of June, A. D. 1893. (P. L. 466.)

An Act entitled, "An Act to enable foreign corporations engaged in this State in the publication and sale of books, tracts, newspapers, etc., the net profits of which are by its charter or governing body required to be applied to religious and charitable uses, to hold real estate in this Commonwealth." Approved the 24th day of June, A. D. 1895. (P. L. 238.)

An Act entitled, "An Act To amend an Act, entitled 'An Act to amend an Act, entitled, "An Act authorizing companies incorporated under the laws of any other State of the United States for the manufacture of any form of iron, steel or glass, to erect and maintain buildings and manufacturing establishments, and to take, have and hold real estate necessary and proper for manufacturing purposes," approved the ninth day of June, Anno Domini one thousand eight hundred and eighty-one, extending the same to companies formed for the purpose of quarrying slate, granite, stone, or rocks, or for dressing, polishing, working, or manufacturing the same, or any of them, and to mineral springs companies incorporated for the purpose of bottling and selling natural mineral springs water,' approved the sixteenth day of June, Anno Domini one thousand eight hundred and ninety-three." Approved the 19th day of April, A. D. 1901. (P. L. 86.)

An Act entitled "An Act to amend an Act, entitled 'An Act to amend an Act, entitled "An Act authorizing companies incorporated under the laws of any other State of the United States for the manufacture of any form of iron, steel, or glass to erect and maintain buildings and manufacturing establishments, and to take, have, and hold real estate necessary and proper for manufacturing purposes,' approved the ninth day of June, Anno Domini one thousand eight hundred and eighty-one, extending the same to companies formed for the purpose of quarrying slate, granite, stone, or rocks, or for dressing, polishing, working, or manufacturing the same, or any of them and to mineral springs companies incorporated for the purpose of bottling and selling natural mineral springs water," approved the sixteenth day of June, Anno Domini one thousand eight hundred and ninety-three,' approved the nineteenth day of April, Anno Domini one thousand nine hundred and one; extending the same to companies formed for the purpose of manufacturing and selling chemicals, foodstuffs, cement and cement products, and the quarrying of cement rock." Approved the 28th day of May, A. D. 1907. (P. L. 266.)

An Act entitled, "An Act to amend an Act, entitled 'An Act to amend an Act, entitled "An Act authorizing companies incorporated under the laws of any other State of the United States for the manufacture of any form of iron, steel, or glass, to erect and maintain buildings and manufacturing establishments, and to take, have and hold real estate necessary and proper for manufacturing purposes,' approved the ninth day of June, Anno Domini one thousand eight

hundred and eighty-one, extending the same to companies formed for the purpose of quarrying slate, granite, stone, or rocks, or for dressing, polishing, working, or manufacturing the same, or any of them, and to mineral springs companies incorporated for the purpose of bottling and selling natural mineral springs water, approved the sixteenth day of June, Anno Domini one thousand eight hundred and ninety-three," extending the same to companies incorporated for the purpose of manufacturing, supplying and sale of ice, approved the nineteenth day of April, Anno Domini one thousand nine hundred and one,' by extending the same to companies incorporated for the manufacture of paper, wood-pulp, or chemical fibre." Approved the 27th day of April, A. D. 1909. (P. L. 173.)

NOTES.

(1). This is taken from the first section of the Act of April 22nd, 1874, P. L. 108, but dropping the plural of the words "office" and "agent." The constitutional provision Article 16, Section 5 is "no foreign corporation shall do any business in this State without having one or more known places of business, and an authorized agent or agents in the same upon whom process may be served." The object of the constitution being to provide some one upon whom process may be served, one agent will do as well as several, especially since, under the service of process Act of July 9, 1901, P. L. 614, writs may be served outside of the county where issued. The decisions of Wall Paper Company's Appeal, 15 Superior Ct. 407, and Phoenix Silk Manufacturing Co. vs. Reilly, 187 Pa. 526, holding that there must be an agent in each office where business is transacted—the failure to do so making void contracts entered into at an office where there is no such agent—while required by the wording of the former Act impose unnecessary acts on the corporation. The registered agent is for service of process and not transaction of business. As provided in the second section, more than one agent may be designated, but not more than one agent and one office need be.

(2). The requirement that the charter of the foreign corporation showing the extent of its powers shall be recorded at some central place where those doing business with it in the State may have access to it in order to determine the extent of its powers, assimilates the foreign to domestic corporations. The following States have such a requirement: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming. (42.)

Alaska, Arizona, Arkansas, California, Delaware, Idaho, Montana, Nevada, New Mexico, Utah, Virginia, West Virginia, Wyoming (13) also require the charter to be recorded at the principal place of business. This assimilates the foreign still more to domestic corporations, and is convenient.

(3). This is stated in general language so as to cover special cases, especially corporations from foreign countries.

(4). This is taken from Section 2 of the Act of 1874. The corporation is required, however, to state only its principal office, for the reasons heretofore given. The agents may be more than one, so that the contingencies of death, removal, etc., may be provided against if the corporation desires.

The requirement that the certificate be preserved for public inspection in each office, contained in the Act of 1874, has been stricken out. This was useless, as the object was service of process and not transaction of business, and the decision was that the certificate might be kept in the safe and need not be displayed. *McManus Contracting Co. vs. McFadden*, 33 Superior Court, 355.

(5). This is taken from Section 3 of the Act of 1874.

(6). Under the authority of *Lasher vs. Stimson*, 145 Pa. 30, the agent of a non-registered foreign corporation is personally liable on the contracts made for it on the ground that he impliedly warrants his authority, and can have no authority where he is not officially registered as the agent. This has been limited to cases where the other party did not know he was dealing with a foreign corporation. *Stoner vs. Phillipi*, 41 Superior Court, 118. The distinction is difficult to draw from the reasoning given for the decision in *Lasher vs. Stimson*, and as the corporation cannot set up its own failure to register to avoid its contracts, *Swan vs. Insurance Co.*, 96 Pa. 37, the principal is really liable. The real difficulty is to have service of process on the principal. Where service can be obtained, however, the other party obtains an opportunity to sue the very person with whom he contracted, and a rule making the agent personally liable is a harsh one, giving the other party more than he bargained for. It is, however, the statutory rule in Utah; and in Idaho and Virginia the officers are liable with the agents on contracts made before registration.

But this liability should be preserved as to foreign insurance companies. The public does not deal with them on the same footing of equality, and the agent should be personally liable if he assumes to deal on behalf of an irresponsible foreign company, which has not provided for our citizens the security required by our law.

(7). This language will cover failure to register with the Auditor General and to pay bonus, to make annual reports and to pay taxes as well as failure to register under the present Act.

(8). As the law aims at the doing of business within the State, both the making and the performing of contracts without being registered should be "doing business" and this wording makes it clear that both are included.

The law previously was that such contracts were void. This

was not because of any express provisions in the Statute of 1874, although such provisions occur in other States, to-wit: Alabama, Arizona, Arkansas, Florida, Michigan, Minnesota (if suit removed to Federal Court), Mississippi, North Dakota, Oklahoma, South Dakota and Wisconsin. (11.) It was the result of judicial construction of the effect of making the violation of the statute a misdemeanor. *Delaware River Quarry, etc. Co. vs. Bethlehem & Nazareth Pass. Ry. Co.*, 204 Pa. 22; *Pittsburgh Con. Co. vs. West Side Belt R. R. Co.*, 154 Fed. Rep. 929.

The same conclusion has been reached in other States. *Boulden vs. Organ Co.* 92 Ala. 182; *American Ins. Co. vs. Stoy*, 41 Mich. 385; *Cary-Lombard Lumber Co. vs. Thomas*, 92 Tenn. 587.

On the other hand certain States, (Connecticut, Maine, Maryland and Massachusetts), expressly provide that the contract shall not be void; and other States, including so radical a State as Kansas, follow the doctrine that the penalty imposed by the statute is the only penalty for failure to register, and the courts will not add a further one.

(9.) The denial of the right of an unregistered foreign corporation to redress in the State Courts is very common. The following States deny it in actions founded on contract: Arkansas, California, Idaho, Illinois, Indiana, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Rhode Island, South Dakota, Tennessee, Texas and Vermont. (27.)

And the following in actions of tort: Arkansas, California, Illinois, Indiana, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Jersey, North Carolina, Oklahoma, Oregon, South Dakota, Tennessee and Texas. (18.) Some States, (among others Hawaii, Iowa and Utah), deny to such corporations the benefit of the laws, which would seem to deny access to the State Courts, although it has been decided to the contrary, *Booth vs. Weigand*, 30 Utah, 135. In New York, Oklahoma and Texas, among other States, the statute requires that the corporation be registered at the time the contract is made and a subsequent registration will not cure the defect. The law was formerly to the contrary. *Neuchatel Asphalte Co. vs. N. Y.*, 155 N. Y. 373. The weakness of this provision is that it does not prevent a suit in the Federal Courts having jurisdiction in the State, *Blodgett vs. Lanyon Zinc Co.*, 120 Fed. 893. Or in the Courts of another State, *Allegheny Co. vs. Allen*, 69 N. J. L. 270; 196 U. S. 458. If the contract is void where made, however, no suit may be brought on it in another State, *Allegheny Co. vs. Allen*, *supra*. The effective provision is that given here, to declare the contract void so that it may not be enforced anywhere and to forbid access to our Courts for all causes of action.

(10.) The object of all these provisions, however, is to force the foreign corporation to comply with our laws, both for purposes of taxation and to bring it within reach of the process of our Courts. Provisions such as have just been reviewed, of course, operate very powerfully to both ends. But if the foreign corporation had not complied at the time it made a contract, and there is no way of curing the lapse, there is no incentive to the

corporation to pay its taxes, and the result is not to benefit the State but to benefit the other party to the contract. He may take the fruits of it and not pay anything, and this results often in a very unjust enrichment of him, who may himself be an unregistered foreign corporation. How unjust this is will be seen by the cases cited above. In the Delaware River Quarry case a recovery of nearly \$30,000 for work done by a construction company was refused, and in the West Side Belt Railroad Company case a recovery of over \$325,000 was denied upon a claim so far meritorious that it was based on an award of the Railroad Company's engineer acting as arbitrator. By the provisions of this proposed Act the failure of the foreign corporation to provide an agent for the service of process is met by appointing the Secretary of the Commonwealth such agent. The best way to compel the payment of tax would be to impose severe penalties for failure to do so, but permit relief upon full compliance with our laws. This is the policy of the Stamp Acts enacted by Congress. Documents coming within their provisions which were not stamped when executed might be stamped on paying a small penalty. This is also the policy of the Pennsylvania Act of May 23, 1907, P. L. 205, which validated contracts entered into by unregistered foreign corporations upon registering and paying tax before suit was brought. By its provisions, however, it was retroactive only. The policy it indicates should be made permanent.

Your Committee feels that a change of the law in this regard is especially important, and submits herewith a draft of a separate Act (see page 36) to accomplish it, which should be enacted if for any reason the general foreign corporation law under discussion should not be approved.

(11). The necessity of this provision is evidenced by such cases as *St. Clair vs. Cox*, 106 U. S. 350; *Goldey vs. Morning News*, 156 U. S. 518; *Mutual Life Insurance Co. vs. Spratley*, 172 U. S. 602; *Conley vs. Mathieson Alkali Works*, 190 U. S. 406; holding that it is necessary to jurisdiction over a foreign corporation that it shall be doing business in the State at the time suit is brought. But the corporation may be sued with its assent though it is not doing business, and the validity of such a provision as in this proposed Act to secure such assent is determined by such cases as *Hill vs. Empire State Etc., Company*, 156 Fed. Rep. 797; *Home Ben. Soc. vs. Muehl*, 109 Ky. 479; *Germania Ins. Co. vs. Ashby*, 112 Ky. 303; *Groel vs. United El. Co.* 69 N. J. Eq. 397; *Mutual Reserve etc., Assn. vs. Phelps*, 190 U. S. 147. It is practically the law at the present time with regard to insurance companies. Act of April 4, 1873, P. L. 27.

(12). The Act of 1874 contains no provision for a substitution of an agent in case the one appointed be, for any reason, disqualified. The service of process Act of April 3, 1903, P. L. 139, permits service of process by leaving at the place of business if the agent is not there during business hours. It has been decided that if the registered agent leaves the employ of the corporation as its commercial agent, and is not found at the place of business, the corporation nevertheless maintains him as its registered agent and complies with the law so long as his

authority as registered agent is not revoked. *De La Vergne Refrigerator Co. vs. Kolischer*, 214 Pa. 400. But the agent may die, or he may want to sue himself, and if no provision for compulsory substitution is made the object of the law will be defeated.

(13). So, also, if the corporation shall cease to maintain the office designated process cannot be served by leaving, or should not properly be so served.

(14). Equally important is a provision by which corporations which never comply with our laws and yet do business with us may be subjected to the process of our Courts.

(15). Accordingly it is provided automatically in such cases that a public official shall be the agent. A similar provision is found in a great many of the States.

In some the Secretary of State is designated as agent for service of process if the designated agent die or remove only:—Alabama, Arkansas, Idaho, Michigan, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, Vermont, Washington. (11.)

In others the Secretary of State is the agent, but the party may serve any other agent at his option. This is the present law of Pennsylvania with regard to insurance companies. Act of April 4, 1873, Sec. 13 P. L. 27. So in Arkansas, Kansas, Maine, Massachusetts, Nebraska, Pennsylvania (ins.) and West Virginia. (7.)

In others the Secretary of State is the only agent for service of process on foreign corporations and no other agent may be served:—Connecticut, Delaware, District of Columbia (fraternal ins.) Kentucky (ins.) Minnesota (ins.) North Dakota and Wisconsin. (7.)

In others the Secretary of State is the agent if no appointment be made by the corporation:—Arkansas, California, Idaho, Louisiana, Nevada, North Carolina, Oklahoma, Oregon and Washington. (9.)

It seems wise to permit the corporation to designate its own agent so that notice may be more surely brought to it, but it is best to provide very fully for cases in which the corporation fails to comply with our law or to maintain its compliance.

The validity of the provision is attested by the case of *Old Wayne Mutual Life Association vs. McDonough*, 204 U. S. 8.

This sentence should be read in connection with Section 5 and would only authorize such service in suits growing out of business done within the State. Such service in other suits would be invalid, as the *McDonough* case decides. The statute usually requires the corporation to file a power of attorney designating the State officer as its agent. Of that character is the Pennsylvania law as to insurance. It has been decided that on failure to file the power of attorney the State officer nevertheless becomes agent for service of process. *McCullagh vs. Railway Mail Assn.* 33 Pa. C. C. 529; *Diamond Plate Glass Co. vs. Minn. M. F. I. Co.*, 55 Fed. 27; *Ehrman vs. Ins. Co.*, 1 Fed. 471; *Berry vs. Indemnity Co.* 46 Fed. 439; *Knapp vs. Natl. M. F. I. Co.* 30 Fed. 607; *Lathrop Co. vs. Interior Etc. Co.*, 150 Fed. 666. It seems simpler to make the designation of agent automatic.

It will be convenient at times to serve the Deputy, which must, however, be specially authorized. *Reynolds vs. Heptasophs*, 9 Dist. Rep. 622; *McCann vs. Old Wayne Etc. Co.* 10 Dist. Rep. 560.

(16). The necessity of designating some known person as agent is that there may be somebody within the State upon whom the process of the Courts can be served. Such process does not run beyond the borders of the State, and the Courts have no jurisdiction upon such service. While this satisfies the technical requirement of the law, it is really a fiction, and justice is better served by actual notice outside of the State than by constructive notice in it. Therefore, to do justice and bring actual notice to the corporation, service is required also to be made outside of the State. The usual provision of the State Statutes is that the Secretary of State or State Auditor or Clerk of Court shall mail a copy of the process to the office of the corporation. These States are Alabama, Arkansas, Connecticut, Delaware, (ins.) Idaho, Kansas, Kentucky, (ins.) Maine, Massachusetts, Michigan, Nebraska, New Jersey, New Mexico, North Dakota, Oregon, West Virginia, and Wisconsin. (17.)

Michigan requires the plaintiff himself to give mail notice. Other States require nothing to be done after serving the State official. Mailing of notice, however, is not as accurate as actual service, and most of the statutes fail to provide for a case in which the location of the company's office is not known to the State official, and a still more difficult case where the company may have no office. It seems better to provide, as Maryland does, that there shall be actual service, and that this may be made as though the corporation was in the State, so that service may be made on an officer of the company or at the company's office as shall be most convenient.

(17). Sufficient time should be allowed after this actual notice for the corporation to interpose a defense if it has any. The object is not to catch the foreign corporation napping but to bring it within the jurisdiction of our Courts. Michigan and Mississippi require thirty days' notice, and Oregon forty days.

(18). If we permit foreign corporations freely to do business in this State, we should permit them to own the necessary real estate and not drive them to subterfuges such as domestic holding companies and trusteeships. The Act of April 26, 1855, P. L. 329, forbade foreign corporations to hold real estate and provided for its escheat to the State. This disability, however, can be taken advantage of by the State only, taking proceedings to escheat; *Leazure vs. Hillegas*, 7 S. & R. 313, and in practice such proceedings are not taken by the Commonwealth. The only reported instance is *Commonwealth vs. New York, Lake Erie and Western R. R. Co.*, 132 Pa. 591, overruling the same case 114 Pa. 340, which failed. Exceptions have been created, until in practice they are nearly as important as the principal law. Foreign corporations may purchase at judicial sales to protect liens, Act of May 23, 1887, P. L. 176. special classes of foreign corporations have been permitted to hold real estate: Insurance companies, Act of June 1, 1881, P. L. 38; river transportation companies, Act of May 25, 1887, P. L. 35; ferry and bridge

companies, Act of May 25, 1887, P. L. 269; corporations for manufacturing iron, steel, paper, wood-pulp, chemical fibre, glass, lumber, wood, cotton, velvet or other fabrics, for the dyeing, etc., of cotton and other fabrics, for the manufacture of certain chemicals, wood extracts, tanning extracts, for the manufacture of wall paper, etc., brick, etc., Act of April 27, 1909, P. L. 173, which is the final amendment of a long series of Acts of 1881, 1885, 1887, 1891 and 1893, for the quarrying of slate, granite and other rocks, the bottling of mineral spring water, the manufacture of ice, the manufacture of chemicals, foodstuffs and cement, Act of May 28, 1907, P. L. 266, which was a final amendment of a series of Acts enacted in 1881, 1893 and 1901; religious publication societies, Act of June 24, 1895, P. L. 238.

The provisions of these Acts have all been collected in one statute of which a draft is presented herewith. Owing to confusion in the various enactments as explained in a note to that draft it may be desirable to re-enact these statutes in case the provision now suggested is not approved.

The Legislature has also, by the Act of June 24, 1895, P. L. 264, validated all conveyances made by such foreign corporations before proceedings are begun by the State. This Act applies to future as well as past cases, and therefore makes unnecessary the very numerous retroactive validating Acts which have been passed by the Legislatures of 1861, 1869, 1876, 1878, 1881, 1887, 1891, 1897, 1903, 1907 and 1909.

The laws of the following States permit foreign corporations complying with the laws to hold real estate:—Arizona, Arkansas, Connecticut, Hawaii, Idaho, Illinois, Indiana, Iowa, (qualified) Massachusetts, Minnesota, Missouri, Nebraska, (railroad and mfg. and in cities) Nevada, New Mexico, New Hampshire, (mfg.) New Jersey, New York, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, (less than 500 acres) South Dakota, Tennessee, Texas, Virginia, (Mfg. lim.) Washington, West Virginia, Wisconsin, (less than 320 acres). (30.)

Besides Pennsylvania only Nebraska makes prohibition the rule and permission the exception, and there the exception is a large one applying to railroad and all manufacturing corporations and the holding of real estate in towns. It is evidently aimed at farm land companies. Georgia fixed a maximum of 5,000 acres. The Act of Congress in force in the District of Columbia and in the former territories of New Mexico and Oklahoma forbids the holding of real estate by corporations where more than 20 per cent. of the stock is owned by aliens. This is also a statutory provision in Wisconsin.

The limit fixed in this Act is that imposed upon domestic corporations of the same kind.

(19). This is the present law: *Leazure vs. Hillegas*, 7 S. & R. 313. It seems wise to make the provision in order that a contrary construction may not prevail.

(20). This continues the policy of the present Act of June 24th, 1895, P. L. 264, which, however, is not expressly repealed.

(21). If this is to be the policy of the State for the future, it should also be for the past, and it is in line with the numerous validating Acts already referred to.

(22). The present rule is that the burden is on the foreign corporation to show that it has complied with the law, and is lawfully doing business in the Commonwealth, in all cases. As such proof in most cases will be a formal matter, it tends to expedition and the avoidance of technicality, that a special issue should be made of failure to comply, and it is in harmony with the Act of June 24, 1885, P. L. 149, requiring an issue as to the existence of a corporation to be specially tendered.

But the burden of proof should be on the person having the affirmative of the issue.

(23). Under the rule of *Madden vs. Electric Light Co.*, 181 Pa. 617, and 199 Pa. 454; *McCloskey vs. Snowden*, 212 Pa. 249, the Courts of one State will not hear causes involving the internal management of corporations of another State. This is because it involves dealing with the laws of another State, because the decree would only take effect in this State and there would exist the anomaly of one result in one State where the corporation operated and another result in another State, and also because the enforcement of the decree would be difficult. This applies to corporate elections, the compelling transfer of stock by mandamus, improper conduct of officers, and kindred matters. But where a corporation is merely incorporated abroad, and comes into this State to do its principal business, so that its officers and stockholders and books are all here, convenience and justice to our citizens would lead us to grant relief in our courts, and not drive a citizen to what is but the nominal home of the corporation which may be on the other side of the Continent. The practical difficulties are not insuperable, and if in a particular case they become so, the Act, by its express provisions, will not apply.

(24). Provisions are found in the statutes of many States to keep foreign corporations out of the Federal Courts. These States are Alabama, Indiana, Kentucky, Louisiana, Oklahoma, Oregon, South Carolina and Wisconsin. (8.)

A State statute cannot oust the Federal Court from jurisdiction of a particular case nor can it make the exercise of this right a penal offense. *Insurance Co. vs. Morse*, 20 Wallace 445. But as the State may exclude foreign corporations at will, it may exclude them for invalid reasons, and a statute revoking the corporation's license to do business because it exercised its right of removal is valid. *Doyle vs. Continental Ins. Co.*, 94 U. S. 535; *Security Mutual Etc. Co. vs. Prewitt*, 202 U. S. 246. Following the policy of permitting bona fide foreign corporations full privileges under our laws, but encouraging corporations that really intend to do business here to incorporate under our laws rather than the laws of other States, the restriction is only imposed on the latter class of corporations.

(25). While other statutes do not require proceedings in Court, it seems fairer to do this and notice and hearing is then provided for.

(26). This definition so far as applies to the word "corporation" is in part taken from the Constitution of Pennsylvania, Article 16, Section 13, with the addition of some words to refer to particular classes of quasi corporations.

Complaint was made to your Committee of the difficulty of determining whom to sue in the case of certain foreign partnerships operating under a system of quasi incorporation unknown to our laws. Certain express companies are of this character. These, however, are such special cases that it is difficult to provide for them by any more general words than are here used.

(27). The retroactive feature of this Act may be valid under the decision of *St. Mary's Petroleum Co. vs. W. Va.*, 203 U. S. 183, in consequence of the reserved power of the State to alter charters. Uniformity is so desirable that the attempt should be made to apply this Act to all.

(28). This section is so worded that Acts applying to service of process on foreign insurance companies, such as the Act of April 4, 1873, P. L. 27, foreign mutual benefit societies and other kindred special laws shall be superseded, and the same procedure applied to all foreign corporations. This is advisable unless there is a reason for special procedure with regard to a particular class of corporations, and this is not the case as to the matters covered by this Act.

(29). The repealing clause is also made special. There have been omitted, however, the various acts validating conveyances of real estate made by foreign corporations which were forbidden to hold real estate. While the subject matter of these Acts is covered by the present Act, yet as they are muniments of title, it will be less disturbing to have them remain on the statute books.

(30). The subject of the domestication of foreign corporations as covered by the Act of June 9, 1881, P. L. 89, has not been covered in this Act, because it is so intimately connected with what should be required of domestic corporations that it seems inadvisable to recast the law at all until the subject of domestic corporations is covered. The object should be to make the foreign corporation comply with the same provisions as a domestic corporation.

The policy of requiring foreign corporations to give bail on appeal and security for costs has not been altered, as the protection of our citizens requires it. The same consideration applies to foreign attachment, in addition to the tendency to discourage thereby the practice of going abroad to incorporate.

Some States require an investigation of the financial standing of foreign corporations by the officer receiving the registration and the refusal of registry to those which are irresponsible and suggestions were made to your Committee that it be adopted by Pennsylvania. This is impracticable in a State so large as ours. It might lead to abuses, and seems premature until we so supervise our own corporations. For purposes of taxation reports of considerable fullness as to their assets, etc., are now made.

AN ACT VALIDATING UNDER CERTAIN CONDITIONS CONTRACTS MADE BY FOREIGN CORPORATIONS WHICH SHALL HAVE DONE OR SHALL DO ANY BUSINESS WITHIN THIS COMMONWEALTH WITHOUT FIRST HAVING COMPLIED WITH THE LAWS RELATING TO FOREIGN CORPORATIONS.

SECT. 1. Be it enacted, etc., that whenever any foreign corporation shall have done or shall do any business within this Commonwealth, without first having complied with the laws of this Commonwealth relating to foreign corporations, all contracts entered into in the course of such doing of business shall be binding upon the parties thereto, and such corporation may enforce the same in the Courts of this Commonwealth or any other Court having jurisdiction: Provided, that prior to commencing a suit upon such contract, the said corporation shall have complied with the laws of this Commonwealth relating to foreign corporations: and, Provided further, that prior to commencing such suit accounts for bonus on capital stock and all State taxes for each year that it shall have done business in this Commonwealth shall have been settled against such corporation in the manner required by law, and paid by it, together with such interest and penalties thereon as shall be shown by such accounts.

NOTE.

This Act makes permanent the policy of the State indicated by the Act of May 23, 1907, P. L. 205, which was retroactive only; and also the Act of May 11, 1901, P. L. 172. It applies to a failure to register with the Auditor General as well as the Secretary of the Commonwealth, the principle applicable being the same. The considerations in its favor are given in connection with a similar section in the general foreign corporation law recommended by your Committee (Section 4). The passage of this Act, in addition to the general Act, is necessary in order to provide for cases arising under the laws now in existence.

AN ACT AUTHORIZING FOREIGN CORPORATIONS, THAT IS TO SAY, CORPORATIONS, JOINT STOCK COMPANIES, PARTNERSHIPS LIMITED, PARTNERSHIP ASSOCIATIONS AND ALL ASSOCIATIONS HAVING ANY OF THE POWERS OR PRIVILEGES OF CORPORATIONS NOT POSSESSED BY INDIVIDUALS OR PARTNERSHIPS, ORGANIZED UNDER ANY LAWS OTHER THAN THOSE OF THIS COMMONWEALTH, FOR CERTAIN

PURPOSES, TO OWN REAL ESTATE IN THIS COMMONWEALTH NECESSARY FOR THEIR CORPORATE PURPOSES UNDER CERTAIN CONDITIONS, AND VALIDATING SUCH OWNERSHIP NOW OR HERETOFORE EXISTING.

SECT. 1. Be it enacted, etc., that it shall be lawful for any foreign corporation organized for any one of the purposes set forth in Section 2 of this Act, upon complying with all the laws of this Commonwealth, to take, have and hold real estate in this Commonwealth to an amount necessary and proper for corporate purposes, and to erect and maintain buildings thereon, and to mortgage, lease or convey the same or any part thereof and otherwise deal with the same as fully as any corporation organized under the general laws of this Commonwealth for the same purpose, but not to any greater amount or of any greater income or value.

SECT. 2. The purposes referred to in Section 1 of this Act are as follows: carrying on the business of insurance (1), for the manufacture of any form of iron, steel or glass (2), or for the conversion, dyeing and cleansing of cotton and other fabrics (3), for the manufacture of any form of lumber or wood or of pyroligneous acids, acetate of lime and charcoal by the process of destructive distillation, or the preparation of cattle hair for for use (4), or for the establishment, maintenance and continuance of a ferry, or for the maintenance and continuance of a bridge between this State and any other State, upon or over any river flowing between said States (5), or for the transportation of passengers and freight by steamboats or other vessels, upon or over any river or waters, between this State and any other State (6), or for the manufacture of cotton or velvet, or other fabrics, or for the manufacture of carbon dioxide and magnesia and the products thereof and compositions, articles and apparatus from and in connection therewith, or for the manufacture of extracts out of wood, bark, leaves and roots, or any other extract for tanning, cleansing, dyeing, or other purposes (7), or for the manufacture or printing of wall-paper, lithographs or prints, and mining and manufacture of any clay into brick, tile and various other articles and products produced from clay, and from clay and other substances mixed therewith (8), or for the quarrying of slate, granite, stone or rocks of any kind, or for dressing, polishing or manufacturing the same, or any of them, or for any mineral springs company incorporated for the purpose of bottling and selling natural mineral spring water (9), or for the publication and sale of books, tracts, newspapers, periodicals and such other business as is commonly connected with publishing and book selling, the net profits of

which are by its charter or governing body required to be applied to religious and charitable uses (10), or for any company incorporated for the purpose of manufacturing, supplying or sale of ice (11), or for the manufacture of cement rock or for the manufacture and sale of chemicals, or the manufacture and sale of foodstuffs and eatables, cement and cement products, and the quarrying of cement rock (12), or for the manufacture of any form of paper, wood-pulp, chemical fibre (13).

SECT. 3. The said corporations shall be taxable in like manner as other foreign corporations and shall make like returns to the Auditor General, and the said real estate shall be taxable as other real estate.

SECT. 4. The title to any real estate in this Commonwealth now or heretofore or hereafter held by, or in trust for, any such foreign corporation is, upon complying with all the laws of this Commonwealth relating to foreign corporations hereby confirmed to the same effect as if the said real estate had been purchased, held or owned under the provisions of this Act.

SECT. 5. The term "foreign corporation" as used in this Act means every corporation, joint stock company, partnership limited, partnership association, and every association having any of the powers or privileges of corporations not possessed by individuals or partnerships, organized under any laws other than those of this Commonwealth.

SECT. 6. The following Acts be and the same are hereby repealed, but no rights heretofore acquired thereunder shall be affected by such repeal.

(1). An Act entitled "An Act To enable foreign insurance corporations and joint stock companies to hold real estate in this Commonwealth." Approved the 1st day of June, A. D. 1881. (P. L. 38.)

(2). An Act entitled "An Act Authorizing companies, incorporated under the laws of any other State of the United States for the manufacture of any form of iron, steel or glass, to erect and maintain building and manufacturing establishments, and to take, have and hold real estate necessary and proper for manufacturing purposes." Approved the 9th day of June, A. D. 1881. (P. L. 89.)

(3). An Act entitled "A Supplement To an Act, entitled 'An Act authorizing companies, incorporated under the laws of any other State of the United States, for the manufacture of any form of iron, steel or glass, to erect and maintain buildings and manufacturing establishments, and to take, have and hold

real estate necessary and proper for manufacturing purposes,' approved the ninth day of June, one thousand eight hundred and eighty-one, authorizing companies, incorporated under the laws of any other State of the United States, for the conversion, dyeing and cleansing of cotton, and other fabrics, to erect and maintain buildings for such manufacturing purposes, and for offices and salesrooms, or either, and to take, have and hold real estate necessary and proper for such purposes." Approved the 25th day of June, A. D. 1885. (P. L. 179.)

(4). An Act entitled "A Supplement To an Act, entitled 'A supplement to an Act authorizing companies, incorporated under the laws of any other State of the United States, for the manufacture of any form of iron, steel or glass, to erect and maintain buildings and manufacturing establishments, and to take, have and hold real estate necessary and proper for manufacturing purposes,' approved the ninth day of June, one thousand eight hundred and eighty-one, authorizing companies, incorporated under the laws of any other State of the United States, for the conversion, dyeing and cleansing of cotton, and other fabrics, to erect and maintain buildings for such manufacturing purposes, and for offices and salesrooms, or either, and to take, have and hold real estate necessary and proper for such purposes,' approved the twenty-fifth day of June, Anno Domini one thousand eight hundred and eighty-five, conferring similar powers upon companies, incorporated under the laws of any other State of the United States for the manufacture of lumber and wood products, and pyroligneous acids, acetate of lime and charcoal, by the process of destructive distillation, or the preparation of cattle hair for use." Approved the 28th day of April, A. D. 1887. (P. L. 77.)

(5). An Act entitled "An Act authorizing companies incorporated under the laws of any other State of the United States for the establishment, maintenance and continuance of a ferry or for the maintenance and continuance of a bridge, between this State and any other State, upon or over any river flowing between said States, to erect and maintain piers and certain other buildings and structures, to hold real estate in this State and to mortgage, lease or convey the same." Approved the 6th day of June, A. D. 1887. (P. L. 352.)

(6). An Act entitled "An Act authorizing companies incorporated under the laws of any other State of the United States, for the transportation of passengers and freight by steamboats or other vessels, on rivers or other waters between this State and any other State, to hold real estate in this State, and to

lease, mortgage and convey the same." Approved the 17th day of April, A. D. 1889. (P. L. 35.)

(7). An Act entitled "A Supplement to an Act, entitled 'A supplement to an Act authorizing companies incorporated under the laws of any other State of the United States for the manufacture of any form of iron, steel or glass, to erect and maintain buildings and manufacturing establishments, and to take, have and hold real estate necessary and proper for manufacturing purposes, approved the ninth day of June, one thousand eight hundred and eighty-one, authorizing companies incorporated under the laws of any other State of the United States, for the conversion, dyeing and cleansing of cotton and other fabrics, to erect and maintain buildings for such manufacturing purposes, and for offices and salesrooms or either, and to take, have and hold real estate necessary and proper for such purposes, approved the twenty-fifth day of June, Anno Domini one thousand eight hundred and eighty-five, conferring similar powers upon companies incorporated under the laws of any other State of the United States for the manufacture of lumber and wood products and pyroligneous acids, acetate of lime and charcoal, by the process of destructive distillation or the preparation of cattle hair for use,' approved the twenty-eighth day of April, one thousand eight hundred and eighty-seven, conferring similar power upon companies incorporated under the laws of any other State of the United States, for the manufacture of carbon dioxide and magnesia and the products thereof, and compositions, articles and apparatus from and in connection therewith, and for the manufacture of cotton, velvet, and other fabrics, and for the manufacture of extracts out of wood, bark, leaves and roots, or any other extracts for tanning, cleansing, dyeing or other purposes." Approved the 30th day of April, A. D. 1891. (P. L. 39.)

(8). An Act entitled, "A Supplement To a supplement to an Act, entitled 'A supplement to an Act authorizing companies incorporated under the laws of any other State of the United States for the manufacture of any form of iron, steel or glass to erect and maintain buildings and manufacturing establishments, and to take, have and hold real estate necessary and proper for manufacture purposes,' approved the ninth day of June, one thousand eight hundred and eighty-one, authorizing companies incorporated under the laws of any other State of the United States for the conversion, dyeing and cleansing of cotton and other fabrics to erect and maintain buildings for such manufacturing purposes, and for offices and salesrooms, or either, and

to take, have and hold real estate necessary and proper for such purposes, approved the twenty-fifth day of June, Anno Domini one thousand eight hundred and eighty-five, conferring similar powers upon companies incorporated under the laws of any other State of the United States for the manufacture of lumber and wood products and pyroligneous acids, acetate of lime and charcoal by the process of destructive distillation, or the preparation of cattle hair for use, approved the twenty-eighth day of April, one thousand eight hundred and eighty-seven, conferring similar power upon companies incorporated under the laws of any other State of the United States for the manufacture of carbon dioxide and magnesia and the products thereof, and compositions, articles and apparatus from and in connection therewith, and for the manufacture of cotton velvet and other fabrics, and for the manufacture of extracts out of wood, bark, leaves and roots, or any other extracts for tanning, cleansing, dyeing or other purposes,' approved the thirtieth day of April, Anno Domini one thousand eight hundred and ninety-one, conferring similar powers upon companies incorporated under the laws of any other State of the United States for the manufacture or printing of wall paper, lithographs or prints, and for mining and manufacture of clay into brick tile and various other articles and products produced from clay, and from clay and other substances mixed therewith." Approved the 8th day of June, A. D. 1893. (P. L. 389.)

(9). An Act entitled "An Act to amend an Act, entitled 'An Act authorizing companies incorporated under the laws of any other State of the United States for the manufacture of any form of iron, steel or glass to erect and maintain buildings and manufacturing establishments, and to take, have and hold real estate necessary and proper for manufacturing purposes,' approved the ninth day of June, Anno Domini one thousand eight hundred and eighty-one, extending the same to companies formed for the purpose of quarrying slate, granite, stone or rocks or for dressing, polishing, working or manufacturing the same, or any of them, and to mineral springs companies incorporated for the purpose of bottling and selling natural mineral springs water." Approved the 16th day of June, A. D. 1893. (P. L. 466.)

(10). An Act entitled "An Act to enable foreign corporations engaged in this State in the publication and sale of books, tracts, newspapers, et cetera, the net profits of which are by its charter or governing body required to be applied to religious and charitable uses, to hold real estate in this Commonwealth." Approved the 24th day of June, A. D. 1895. (P. L. 238.)

(11). An Act entitled "An Act to amend an act, entitled 'An Act to amend an Act entitled "An Act authorizing companies incorporated under the laws of any other State of the United States for the manufacture of any form of iron, steel or glass, to erect and maintain buildings and manufacturing establishments, and to take, have and hold real estate necessary and proper for manufacturing purposes," approved the ninth day of June, Anno Domini one thousand eight hundred and eighty-one, extending the same to companies formed for the purpose of quarrying slate, granite, stone, or rocks, or for dressing, polishing, working, or manufacturing the same, or any of them, and to mineral springs companies incorporated for the purpose of bottling and selling natural mineral springs water,' approved the sixteenth day of June, Anno Domini one thousand eight hundred and ninety-three." Approved the 19th day of April, A. D. 1901. (P. L. 86.)

(12). An Act entitled "An Act to amend an Act, entitled 'An Act to amend an Act, entitled "An Act to amend an Act, entitled 'An Act authorizing companies incorporated under the laws of any other State of the United States for the manufacture of any form or iron, steel, or glass to erect and maintain buildings and manufacturing establishments, and to take, have, and hold real estate necessary and proper for manufacturing purposes,' approved the ninth day of June, Anno Domini one thousand eight hundred and eighty-one, extending the same to companies formed for the purpose of quarrying slate, granite, stone, or rocks, or for dressing, polishing, working, or manufacturing the same, or any of them, and to mineral springs companies incorporated for the purpose of bottling and selling natural mineral springs water," approved the sixteenth day of June, Anno Domini one thousand eight hundred and ninety-three,' approved the nineteenth day of April, Anno Domini one thousand nine hundred and one; extending the same to companies formed for the purpose of manufacturing and selling chemicals, food-stuffs, cement and cement products, and the quarrying of cement rock." Approved the 28th day of May, A. D. 1907. (P. L. 266.)

(13). An Act entitled "An Act to amend an Act, entitled 'An Act to amend an Act, entitled "An Act to amend an Act, entitled 'An Act authorizing companies incorporated under the laws of any other State of the United States for the manufacture of any form of iron, steel, or glass, to erect and maintain buildings and manufacturing establishments, and to take, have, and hold real estate necessary and proper for manufactur-

ing purposes,' approved the ninth day of June, Anno Domini one thousand eight hundred and eighty-one, extending the same to companies formed for the purpose of quarrying slate, granite, stone, or rocks, or for dressing, polishing, working, or manufacturing the same, or any of them, and to mineral springs companies incorporated for the purpose of bottling and selling natural mineral springs water, approved the sixteenth day of June, Anno Domini one thousand eight hundred and ninety-three," extending the same to companies incorporated for the purpose of manufacturing, supplying and sale of ice, approved the nineteenth day of April, Anno Domini one thousand nine hundred and one,' by extending the same to companies incorporated for the manufacture of paper, wood-pulp, or chemical fibre." Approved the 27th day of April, A. D. 1909. (P. L. 173.)

REVENUE LAWS.

The conclusions of your Committee on this subject, as with reference to the corporation laws, are not at present of a character sufficient to make any extensive alteration in the present system. They are merely supplementary, extending it along the same principal lines as before in order to correct abuses, provide more revenue and equalize burdens. Striking changes, which may yet be necessary in the way of administration, require more mature deliberation than there has been time to give, and more information and data than are at present available.

Careful thought has been given, however, to many details in connection with

- (A) The objects upon which State revenue is expended;
- (B) The increase of State revenue,
- (C) The change of the burden of taxation; and
- (D) The more effectual collection of the revenue intended to be provided by existing laws.

(A) EXPENDITURES.

APPROPRIATIONS TO CHARITABLE INSTITUTIONS.

Large amounts of money have been appropriated, as is well known, for charitable institutions not controlled by the State. Auditors, sent by the State, see that the money is expended for the purposes for which it is appropriated, but there is no supervision of policy or management otherwise. Nor could there be—either the Trustees or the State must manage.

Pennsylvania has been a pioneer in this regard, and even now leads all States. Beginning in 1850, with \$65,767.85 given to four institutions, in 1863 there was an appropriation of \$146,800 to sixteen institutions. The amount has increased gradually to \$421,008.50 to eleven institutions in 1873, to \$1,228,276.20 to thirty-five institutions in 1887 (this, of course, covering two years), to \$3,024,025 to one hundred and forty-two institutions in 1901 (for two years), and to \$5,446,900 to two hundred and forty institutions in 1909 (for two years). Since 1850 the total appropriation to homes and hospitals has been \$26,402,778.99. The following table has been prepared by the State Board of Charities:

*Summary of Appropriations to Charitable Institutions for
Fifty-eight Years.*

	First class.	Amount first class.	Second class.	Amount second class.	Total No.	Total amount.
1850-----	3	\$69,166 54	4	\$65,767 85	7	\$134,934 39
1851-----	3	70,109 00	3	33,000 00	6	103,109 00
1852-----	3	80,417 00	4	48,000 00	7	128,417 00
1853-----	3	44,600 00	4	62,000 00	7	106,600 00
1854-----	3	41,500 00	6	67,000 00	3	108,500 00
1855-----	4	58,712 00	5	56,000 00	9	114,712 00
1856-----	4	68,975 00	5	86,000 00	9	154,975 00
1857-----	4	63,142 00	5	126,000 00	9	189,142 00
1858-----	4	57,045 00	7	132,500 00	11	189,545 00
1859-----	4	85,894 00	8	111,000 00	12	196,894 00
1860-----	4	138,961 00	6	115,750 00	10	254,711 00
1861-----	4	132,211 00	6	104,800 00	10	237,011 00
1862-----	4	91,800 00	7	114,280 00	11	206,080 00
1863-----	4	74,100 00	16	146,800 00	20	220,900 00
1864-----	4	108,530 00	22	171,147 07	26	279,677 07
1865-----	4	123,069 50	26	227,059 00	30	350,148 50
1866-----	4	143,200 00	7	188,369 70	11	331,569 70
1867-----	4	130,832 00	10	183,000 00	14	313,832 00
1868-----	4	136,300 00	9	217,000 00	13	403,300 00
1869-----	5	311,887 00	12	243,500 00	17	555,387 00
1870-----	5	222,355 26	10	173,000 00	15	395,355 26
1871-----	5	420,614 62	17	239,295 00	22	659,909 62
1872-----	5	179,800 00	10	365,686 24	15	545,486 24
1873-----	6	324,344 04	11	421,008 50	17	745,352 54
1874-----	8	695,150 00	13	222,016 78	21	917,166 78
1875-77-----	8	825,875 00	13	550,800 00	21	1,376,675 00
1877-79-----	9	1,798,029 76	14	590,658 19	23	2,388,687 95
1879-81-----	8	916,434 96	8	342,860 00	16	1,259,294 96
1881-83-----	10	1,183,164 89	15	850,570 49	25	2,033,735 38
1883-85-----	11	1,299,150 00	22	757,158 00	33	2,056,308 00
1885-87-----	10	2,372,085 92	27	1,005,562 00	37	3,377,647 92
1887-89-----	10	2,077,052 27	35	1,228,276 20	45	3,305,328 47
1889-91-----	9	1,511,076 99	52	1,644,095 55	61	3,155,172 54

*Summary of Appropriations to Charitable Institutions for
Fifty-eight Years—Continued.*

	First class.	Amount first class.	Second class.	Amount second class.	Total No.	Total amount.
1891-93-----	14	2,184,207 92	68	1,722,686 52	82	3,906,894 44
1893-95-----	15	2,194,086 37	95	2,496,515 64	110	4,690,602 01
1895-97-----	16	2,356,439 68	112	2,371,143 50	128	4,727,583 18
1897-99-----	15	2,606,386 66	118	2,434,687 43	133	5,041,074 09
1899-01-----	15	2,860,693 53	129	2,299,030 00	144	5,159,723 53
1901-03-----	19	3,277,790 00	142	3,024,025 00	161	6,301,815 00
1903-05-----	20	4,671,722 75	176	4,657,100 00	196	9,328,822 75
1905-07-----	34	6,858,179 18	177	4,142,550 00	211	11,000,729 18
1907-09-----	31	6,219,839 64	224	5,502,600 00	256	11,722,439 64
1909-11-----	31	6,323,837 65	239	5,446,900 00	270	11,770,737 65
Total-----	-----	\$55,458,788 13	-----	\$44,987,108 66	-----	\$100,445,986 79

The above statement does not include the special appropriations to the indigent insane. This is shown on the next page.

First Class—Includes State and semi-State institutions.

Second Class—Includes private institutions.

*Summary of Appropriations for the Care and Treatment
of the Indigent Insane.*

Date.	Maintenance.	Date.	Maintenance.
1885 } -----	\$1,050,000 00	1899 } -----	\$1,700,000 00
1886 } -----		1900 } -----	
1887 } -----	900,000 00	1901 } -----	1,800,000 00
1888 } -----		1902 } -----	
1889 } -----	800,000 00	1903 } -----	2,000,000 00
1890 } -----		1904 } -----	
1891 } -----	900,000 00	1905 } -----	2,100,000 00
1892 } -----		1906 } -----	
1893 } -----	1,015,000 00	1907 } -----	2,500,000 00
1894 } -----		1908 } -----	
1895 } -----	1,000,000 00	1909 } -----	3,000,000 00
1896 } -----		1910 } -----	
1897 } -----	1,450,000 00	Total-----	\$20,215,000 00
1898 } -----			

The total appropriation of Massachusetts in 1908 for charitable institutions and charitable work was \$2,300,000. Other States making similar appropriations are Delaware, Illinois, Kentucky, Maine, Maryland, Massachusetts, New Mexico, New Jersey, New York, North Dakota, Oregon, Washington and Wisconsin.

New York appropriates no money to private charities. In 1909 it appropriated to State institutions \$3,225,000, and to what are classified in Pennsylvania as semi-State institutions (blind and deaf and dumb institutions) \$775,000. In the same class with New York are Arkansas, California, Connecticut, Idaho, Indiana, Iowa, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, Ohio, Oklahoma, Tennessee, Texas, Utah, Vermont and Wyoming.

A brief outline of the general character of these institutions, which are in whole or in part supported by the State, and the sources from which they receive support may throw some light upon this inquiry.

As to the insane, there are six State hospitals, located at Harrisburg, Danville, Norristown, Warren, Dixmont and Wernersville.

These institutions contain 8,749 indigent patients. Except Dixmont, they are the property of the State, and receive patients from the districts in which they are located, except Wernersville, the Hospital for the Chronic Insane, which receives them from every part of the State. The cost of maintenance is divided. The county and poor districts from which an indigent patient is sent, pay to the institution, for each patient, \$1.75 per week. The rest of the cost of maintenance and buildings is paid by the State. The entire cost of maintaining the insane in Pennsylvania is, approximately, \$4,000,000 per year.

The other institutions of the State containing the indigent insane are what is known as County Care Institutions, and are in the following counties and cities:

Adams County Insane Hospital, Gettysburg.

Allegheny County Hospital, Woodville.

Pittsburgh North Side City Home and Hospital, Hoboken.

Pittsburgh City Home and Hospital, Marshalsea.

Blair County Hospital for the Insane, Hollidaysburg.

Chester County Hospital for the Insane, Embreeville.

Cumberland County Hospital for the Insane, Carlisle.

Elk County Asylum, St. Marys.

Erie County Home, Erie.

Franklin County Home, Chambersburg.

Jefferson County Asylum, Brookville.

Hospital for the Insane, Central Poor District, Retreat.

Lancaster County Hospital for the Insane, Lancaster.

Hospital for the Insane, Hillside Home, Clark's Summit.

Mercer County Hospital for the Insane, Mercer.

Philadelphia Hospital, Insane Department, Philadelphia.

Potter County Home, Coudersport.

Somerset County Hospital for Insane, Somerset.

Westmoreland County Home, Insane Department, Greensburg.

Blakeley Home, Lackawanna County, Olyphant.

These institutions were built by and are owned by the respective counties and cities in which they are located. They are maintained by the counties, the State contributing to the county, for each patient, the sum of \$2.00 per week. The number in these institutions is 6,288, making the entire indigent population over 15,000.

All the State institutions are crowded, and Blockley, in the City of Philadelphia, is so over-crowded that it is filled to almost double its intended capacity.

Two new State hospitals for the insane are in course of erection; one for the criminal insane, at Farview, Wayne County, just fairly started, and one at or near Allentown, called the Homœopathic Hospital, which is approaching completion. By the time they are ready to receive patients, there will be enough surplus in the other State hospitals

to fill every ward, and unless the Legislature, at the coming session makes provision for the erection of a new hospital or added wards to those in existence, there will not be, in a short time, sufficient hospital accommodations to care for the normal increase, which is about 600 a year. It is thus apparent that every session of the Legislature must provide for the care of at least 1,200 patients additional, either by building a new hospital or by adding wards to those already built.

The only possible alternative to this is the building of hospitals by the counties, under the County Care Act.

From present appearances, it does not look probable that many more counties will avail themselves of this Act. Two districts, Schuylkill county and the Middle Coal Field Poor District, composed of parts of Carbon and Luzerne counties, have recently started proceedings looking to the erection of hospitals, and have submitted plans.

As to the weak-minded, there are three institutions devoted to their care, to wit: Elwyn, Polk and Spring City. The first named is not a State institution. It receives by appropriation a certain amount per capita for 750 patients. Polk has 1,543 patients and is a State institution. Spring City is a dual institution, for the weak-minded and epileptic. This institution is only partly finished, and contains 270 weak-minded and 87 epileptics.

Hospitals for the deaf, dumb and blind, as well as the oral schools for the deaf mutes, are not State institutions, nor under State control, though they are almost wholly maintained by the State by a per capita appropriation.

The only place for epileptics maintained by the State is Spring City, and two private institutions, one in the eastern part of the State, near West Chester, and the other in the western part of the State, and both receive State aid.

As to hospitals for the care of the sick and injured, these consist of institutions wholly supported by the State,

viz.: at Mercer, Blossburg, Hazelton, Phillipsburg, Scranton, Ashland and Connellsville.

The inmates number over 12,000, and the cost of their maintenance during the past year was \$217,636.06.

The private hospitals receiving State aid number 142. Their total cost for maintenance last year was approximately \$4,938,577.11. The number of indoor patients 70,394, and the aggregate number of free hospital days 1,394,982, the free dispensary service amounting to 689,023. The aid given to these institutions by the State for maintenance amounted to \$3,768,500; for building, \$651,500, approximately. A table giving this information in greater detail will be found elsewhere (see pages 69, 79).

There are also homes and kindred institutions. They are all private. Those that receive State aid are 97 in number.

The pauper class is cared for by the poor district—and always has been in this State.

The insane were formerly cared for in the poor districts with the other poor. The burden was then borne entirely by the county, city or poor district. After a while the State began to shoulder part of the burden by building and equipping the present State hospitals for the insane, heretofore referred to. They care for all indigent patients sent to them, charging the poor district \$1.75 per week for each patient. Probably nearly 10,000 are cared for in this way. The other 5,000 or 6,000 are cared for in certain cities and counties which have erected hospitals for that purpose, the State contributing \$2.00 a week for each patient's maintenance. There are a few in the poor houses—probably between 200 and 300—maintained entirely by the poor authorities. Counting buildings and maintenance, probably more than three-fourths of the cost of maintaining is borne by the State.

All of the weak-minded, who are in institutions, are supported by the State, as are epileptics, save a few in two small institutions, which receive State aid.

The cost of maintaining the criminals, like that of the poor, was formerly borne entirely by the county; but the State took upon itself a part of the burden by erecting what is known as the Eastern and Western Penitentiaries, to which certain classes of criminals may be sent, the counties from which they are sent paying the cost of maintenance, the State being at the cost of the buildings and their maintenance, and of the officers and attendants. The State also pays the salaries of the Judges.

The indigent inmates of the blind, deaf and dumb institutions, and schools for oral teaching of mutes, are maintained substantially by the State. So are the inmates of the House of Refuge and Morganza—incorrigible boys and girls.

Hospitals for the sick and injured, and homes for the dependent and kindred institutions, except seven hospitals heretofore referred to, are supported in part by the State.

It will thus be seen that while formerly none, or but very few of the dependent, defective, or criminal classes were supported by the State, she now supports wholly or in part all except the poor in almshouses and certain hospitals and homes supported by private charity. The appropriation for all charities, including those above named for the years 1909 and 1910, was \$14,770,737 (see page 55).

In the public press and before medical societies there has been much talk of a general but very abusive character about the mismanagement of many of the privately managed institutions receiving State aid, particularly that they were managed in the interest of the private practice of the principal physicians and surgeons connected with them, both by way of self-advertisement and the treatment of private patients. In spite of the very full opportunity given to all persons to present their complaints specifically to your Committee either in person or by letter, no actual cases of abuse were revealed. The charges remain only general as before, and your Committee believes it is a possibility to be guarded against rather than a fact to be deplored and condemned.

Complaint was made that the existence of hospitals prevented any surgical practice by those not attached to any hospital because unattached surgeons were not permitted to perform operations in the hospitals. It was urged that it should be made a condition of State aid that they permit outside surgeons to come in. In view of the delicate nature of a surgical operation and the highly trained staff which is necessary during all stages of the case, it would not be possible to maintain the absolutely necessary discipline if an outsider attempted to fit himself to the system. With the best will in the world on both sides he would be so unfamiliar with the methods in use that there could not but be confusion. In a limited number of proper cases, however, your Committee is informed that the hospitals permit outside surgeons to come in, and a liberal rule in this regard should prevail.

It is a very generally held opinion—although in this instance also no specifications were made—that the number of institutions is too large, and that their number and location should be controlled in some way by the Board of Public Charities or other similar body. The objection to this is that it would operate as an unnecessary restriction upon private charity in the founding of new institutions, and the remedy for any supposed abuse in the way of starting unnecessary institutions with the expectation and demand that they shall be kept up by State aid, is in the self-restraint of the Legislature in withholding appropriations from superfluous institutions, or, as is herein recommended, appropriating only for actual public work done.

Of the unwise appropriations of the past, however, specific instances were given as follows: That appropriations were made to hospitals before they were incorporated, or before a site was provided, without any provision by the hospital for maintenance, or before the hospital was open for patients, or before any considerable sum had been secured as an endowment from private

sources. Cases were mentioned of appropriations to some institutions which were controlled by stockholders, though the declaring of a dividend was forbidden.

Many complaints have been received for a number of years on the policy of our State in this regard, not only from institutions that do not receive it, but from the public at large.

The objection is that the State money should only go in relief of the sick or disabled poor, and that, as there is no rule by which the money is apportioned among the institutions, it may or may not be so used. A request is made by the institution. On this a recommendation is made by the Board of Public Charities, which, while giving the matter careful attention, has no fixed rule. On this the Legislature acts, changing in many instances the amount recommended by the Board of Public Charities, so that the recommendations of the latter have no practical utility. Here again there is no rule. At the end of the session the bounty of the Legislature having greatly exceeded the amount at its disposal, the Governor is called upon to cut all the appropriations to fit the Treasury. The result of these three operations, all proceeding without rule, without the opportunity for hearing in many cases, and without the balancing of conflicting claims, results in the disproportion evidenced by the figures already given. The relation between requests of the hospitals, the recommendations of the Board of Public Charities, the appropriations by the Legislature, and the final amounts approved by the Governor is shown by the following table:

	Amounts approved by Governor 1907-08	Amounts applied for by all Institu'tns 1909-10	Amounts recommended by Bd. of Char's 1909-10	Amounts appropri'd by Legislature 1909-10	Amounts approved by Governor 1909-10
State Institutions	†\$7,479,731.64	†\$6,963,346.69	*\$6,588,919.66	*\$9,065,907.47	*\$7,887,427.33
Semi-State Institutions	1,240,108.00	1,620,150.00	1,526,550.00	1,463,523.32	1,436,410.32
Hospitals and Sanitaria	4,757,100.00	11,392,730.88	5,356,050.00	6,431,228.86	4,724,500.00
Homes, etc.	745,500.00	2,058,397.44	850,150.00	941,900.00	722,400.00
Totals	<u>\$14,222,439.64</u>	<u>\$22,034,625.01</u>	<u>\$14,321,669.66</u>	<u>\$17,902,559.65</u>	<u>\$14,770,737.65</u>

*These amounts include \$3,000,000.00 for maintenance of indigent insane.

†These amounts include \$2,500,000.00 for maintenance of indigent insane.

There is no doubt in the vast majority of instances that much public good has been done by the appropriations to privately managed charities. But there is no guarantee, and no way of guaranteeing that the money expended will go wholly to the benefit of needy persons who should legitimately be the object of State relief. Particularly is this so where money is appropriated for purposes of permanent construction and not for maintenance.

Since 1901 for building and betterment appropriations have been made amounting to \$115,000 to the Free Hospital for Poor Consumptives at White Haven. This institution now refuses State aid for maintenance, and in consequence claims the right to, and does, refuse to receive free patients. Such a situation should be rendered impossible.

It is asserted that many institutions come into existence depending on State aid for the maintenance of that existence, and that this results in an unnecessary multiplication of institutions where one would serve, and the consequent idleness of part of their equipment. At times 3,000 hospital beds are vacant. Your Committee recommend that such appropriations be made only for maintenance, and that the sums should be apportioned to the free public aid given by the institution. In those rare cases where an appropriation for construction would be proper (as to supply a community needing and having no hospital and no other means of securing one) the grant of the State should be a lien on the ground and buildings so that if the institution cease to be privately maintained as theretofore, it might revert to the State, and be continued by it. The first precedent may be found in the grant to the Orthopedic Hospital of Philadelphia in 1871, and other precedents in many of the appropriation Acts of 1909, if not in other years. A draft of an Act to that end is submitted as follows:

AN ACT MAKING APPROPRIATIONS TO INSTITUTIONS NOT WHOLLY MANAGED BY THE COMMONWEALTH OF PENNSYLVANIA, LIENS ON THE PREMISES OF SUCH INSTITUTIONS FOR THE USE OF THE COMMONWEALTH, AND PROVIDING FOR THE COLLECTION THEREOF.

SECT. 1. Be it enacted, etc., That any and all amounts hereafter appropriated by the Legislature of this Commonwealth for the erection, enlargement or alteration of any building or buildings, or for any other permanent improvement in connection with any institution not wholly managed by the Commonwealth of Pennsylvania, be, and the same are hereby made a non-interest bearing lien on the premises of the institution for which the appropriation is made.

SECT. 2. Within sixty days from the date of such appropriation the Auditor General is hereby authorized and required to transmit to the Prothonotary of the county in which such institution is located, to be by him entered of record, a certificate to the effect that the appropriation for which a lien is created by the first section of this Act, has been made to such institution. The amount of such appropriation shall be a lien from the date said certificate is so entered of record, and whenever the property of such institution shall be sold at a judicial sale the amount of such lien shall first be allowed and paid out of the proceeds of such sale before any judgment, mortgage or other claim which shall be entered of record or become a lien after the entry of record of said certificate.

SECT. 3. In all cases where any such institution shall cease to be used or fail to carry out the purpose for which it was organized, it shall be lawful for writs of scire facias in favor of the Commonwealth to issue on said liens and be prosecuted to judgment and execution in the same manner as such writs are ordinarily returnable.

In general, however, no appropriation should be made to any institution until it owns its site and its buildings are erected and equipped ready to begin business. Such an institution can properly be made an instrument of the Commonwealth for the help of the poor and a benefit to the State. This method will operate as a check upon unnecessary institutions more than any supervision by the Board

of Public Charities in advance as a prerequisite to the granting of a charter.

There has been prepared by the Board of Public Charities for your Committee a table which shows as to most of the hospitals of the State (only those which did not make report being omitted) of free hospital days; that is to say, the total number of days that one free patient was treated by the hospital, and also the cost of each day of such treatment, the total cost of the free days, the State appropriation and the excess or deficiency of appropriation proportioned to the cost of free treatment and other valuable information.

*Statement Showing Free Hospital Days, Cost per Diem, Etc., of Hospitals Not Under State Control,
During the Fiscal Year Ending May 31, 1909, from Data Collected and Prepared by the Board
of Public Charities.*

	Free hospital days.	Cost per diem.	Total cost free days.	State appropriation.	Amount expended in excess of appropriation.	Amount of appropriation not expended.
Adrian Hospital, Punxsutawney.....	15,850	\$1 32	\$20,922 00	\$11,500 00	\$9,422 00	-----
Allegheny General Hospital.....	48,916	2 12	103,701 92	87,500 00	16,201 92	-----
Allentown Hospital	14,471	1 30	18,812 30	11,000 00	7,812 30	-----
Altoona Hospital	19,819	1 55	29,719 45	17,500 00	12,219 45	-----
American Hospital for Diseases of Stomach, Philadelphia.....	489	2 75	1,344 75	5,000 00	-----	\$3,655 25
American Oncologic Hospital, Philadelphia.....	4,349	3 39	14,743 11	10,000 00	4,743 11	-----
Barnes Memorial Hospital, Susquehanna.....	619	2 19	1,355 61	1,500 00	-----	144 39
Beaver County General Hospital, Rochester.....	3,122	2 60	8,117 20	5,000 00	3,647 20	-----
Beaver Valley General Hospital, New Brighton.....	3,532	2 73	9,642 36	9,000 00	642 36	-----
Bellefonte Hospital	4,893	1 14	5,578 02	3,000 00	2,578 02	-----
Berwick Hospital	807	2 20	1,775 40	1,000 00	775 40	-----
Bradford Hospital	5,522	1 45	8,006 80	5,000 00	3,006 80	-----

Statement Showing Free Hospital Days, Cost Per Diem, Etc.—Continued.

	Free hospital days.	Cost per diem.	Total cost free days.	State appropriation.	Amount expended in excess of appropriation.	Amount of appropriation not expended.
Braddock General Hospital.....	7,462	\$1 78	\$13,282 36	\$12,000 00	\$1,282 36	-----
Buhl Hospital, Sharon.....	4,838	2 14	10,331 92	7,000 00	3,231 92	-----
Butler County General Hospital.....	3,460	1 69	5,847 40	5,000 00	847 40	-----
Carbondale Hospital.....	4,440	1 95	8,658 00	9,000 00	-----	\$342 00
Chambersburg Hospital.....	3,976	1 27	4,949 52	5,000 00	50 48	-----
Charity Hospital, Norristown.....	9,336	1 54	14,377 44	9,000 00	5,377 44	-----
Chestnut Hill Hospital.....	2,735	3 36	9,189 60	-----	-----	-----
Chester Hospital.....	10,238	1 67	17,180 96	12,000 00	5,180 96	-----
Chester County Hospital, West Chester.....	10,428	1 69	17,623 52	8,000 00	9,623 52	-----
Children's Homeopathic Hospital, Philadelphia.....	23,150	1 12	25,928 00	15,000 00	10,928 00	-----
Children's Hospital, Philadelphia.....	21,475	63	13,529 25	-----	-----	-----
City Hospital, Washington.....	4,153	1 74	7,226 22	500 00	6,726 22	-----
Coatesville Hospital.....	3,942	1 86	7,332 12	7,500 00	-----	167 88
Columbia Hospital, Columbia.....	2,638	1 42	3,745 96	4,000 00	-----	254 04

Statement Showing Free Hospital Days, Cost Per Diem, Etc.—Continued.

	Free hospital days.	Cost per diem.	Total cost free days.	State appropriation.	Amount expended in excess of appropriation.	Amount of appropriation not expended.
Columbia Hospital, Wilkensburg-----	7,965	\$2 01	\$20,788 65	\$10,000 00	\$10,788 65	-----
Conemaugh Valley Memorial Hospital, Johnstown-----	24,111	1 19	28,692 09	20,000 00	8,692 09	-----
Corry Hospital -----	2,341	2 24	5,243 84	4,000 00	1,243 84	-----
Crozier Hospital, Chester-----	1,058	1 49	1,576 42	-----	-----	-----
Douglass Memorial Hospital, Philadelphia-----	2,361	2 03	4,792 83	6,000 00	-----	\$1,207 17
Du Bois Hospital -----	1,133	3 70	4,192 10	3,000 00	1,192 10	-----
Easton Hospital -----	9,381	1 84	17,261 04	15,000 00	2,261 04	-----
Elk County General Hospital-----	4,965	1 88	9,334 20	8,000 00	1,334 20	-----
Eye, Ear and Throat Hospital, Pittsburg-----	7,244	2 36	17,095 84	12,500 00	4,595 84	-----
Fabiana Italian Hospital, Philadelphia-----	1,100	90	990 00	-----	-----	-----
Franklin Hospital -----	2,190	2 78	6,088 20	6,000 00	88 20	-----
Frankford Hospital -----	11,710	1 89	23,302 90	12,500 00	10,802 90	-----
Garretson Hospital -----	5,161	3 41	17,599 01	10,000 00	7,599 01	-----
General and Emergency Hospital, Pittsburg-----	561	1 78	988 58	1,000 00	-----	1 42

Statement Showing Free Hospital Days, Cost Per Diem, Etc.—Continued.

	Free hospital days.	Cost per diem.	Total cost free days.	State appropriation.	Amount expended in excess of appropriation.	Amount of appropriation not expended.
German Hospital, Philadelphia-----	28,440	\$1 75	\$49,770 00	\$15,000 00	\$34,770 00	-----
Germantown Hospital, Philadelphia-----	26,998	1 69	45,626 62	-----	-----	-----
Good Samaritan Hospital, Lebanon-----	5,176	2 02	10,455 52	7,500 00	2,955 52	-----
Greenville Hospital-----	690	2 10	1,449 00	2,500 00	-----	\$1,051 00
Grove City Hospital-----	887	2 73	2,421 51	1,500 00	921 51	-----
Gynecean Hospital, Philadelphia-----	4,923	3 11	15,310 53	12,500 00	2,810 53	-----
Hahnemann Hospital, Philadelphia-----	32,104	1 85	59,392 40	45,000 00	14,392 40	-----
Hahnemann Hospital, Scranton-----	10,542	1 80	18,975 60	10,000 00	8,975 60	-----
Hamot Hospital, Erie-----	9,903	1 97	19,311 91	12,500 00	6,811 91	-----
Harrisburg Hospital-----	18,498	1 48	27,377 04	15,000 00	12,377 04	-----
Homeopathic Medical and Surgical Hospital, Reading-----	5,416	1 51	8,178 16	7,500 00	678 16	-----
Homeopathic Medical and Surgical Hospital, Pittsburg-----	30,630	1 69	51,764 70	35,000 00	16,764 70	-----
Homestead Hospital-----	254	-----	-----	-----	-----	-----
Howard Hospital-----	41,694	2 00	83,388 00	5,000 00	78,388 00	-----

Statement Showing Free Hospital Days, Cost Per Diem, Etc.—Continued.

	Free hospital days.	Cost per diem.	Total cost free days.	State appropriation.	Amount expended in excess of appropriation.	Amount of appropriation not expended.
Jefferson Medical College Hospital.....	56,203	\$1 83	\$102,851 49	\$80,000 00	\$22,851 49	-----
Jewish Hospital, Philadelphia.....	-----	1 63	-----	12,500 00	-----	-----
Jewish Maternity Hospital.....	4,490	1 00	7,184 00	-----	-----	-----
Johnstown City Hospital.....	1,988	1 01	2,007 88	3,500 00	-----	\$1,492 12
Kane Summit Hospital.....	4,811	1 58	7,601 38	4,500 00	3,101 38	-----
Kensington Hospital for Women, Philadelphia.....	3,646	2 21	8,067 66	7,500 00	507 66	-----
Kittanning General Hospital.....	833	2 68	2,232 44	4,000 00	-----	1,767 56
Lancaster General Hospital.....	9,494	1 59	15,005 46	7,500 00	7,505 46	-----
Lewistown Hospital.....	3,285	2 08	6,832 80	4,000 00	2,832 80	-----
McKeesport Hospital.....	11,351	1 68	19,069 68	20,000 00	-----	980 32
Maternity Hospital, Philadelphia.....	2,018	1 01	2,038 18	2,500 00	-----	461 82
Meadville City Hospital.....	3,338	2 77	9,246 26	5,000 00	4,246 26	-----
Medico-Chirurgical Hospital.....	15,262	1 95	29,760 90	60,000 00	-----	30,239 10
Mercy Hospital, Philadelphia.....	5,367	1 81	9,714 27	5,000 00	4,714 27	-----

Statement Showing Free Hospital Days, Cost Per Diem, Etc.—Continued.

	Free hospital days.	Cost per diem.	Total cost free days.	State appropriation.	Amount expended in excess of appro- piation.	Amount of appro- piation not ex- pended.
Mercy Hospital, Pittsburg	43,658	\$1 19	\$51,239 02	\$50,000 00	\$1,239 02	---
Mercy Hospital, Wilkes-Barre	15,459	1 87	28,908 33	10,000 00	18,908 33	---
Methodist Episcopal Hospital	17,974	2 53	45,474 22	---	---	---
Monongahela Memorial Hospital, Monongahela	2,424	1 42	3,442 08	5,000 00	---	\$1,557 92
Mount Pleasant Memorial Hospital	4,231	1 75	7,404 25	7,000 00	704 25	---
Mount Sinai Hospital, Philadelphia	10,746	2 31	24,823 26	10,000 00	14,823 26	---
Montefiore Hospital, Pittsburg	6,777	2 29	15,519 33	---	---	---
Nason Hospital Association, Roaring Springs	5,209	1 36	7,084 24	5,000 00	2,084 24	---
New Castle Hospital	693	1 83	1,268 19	---	---	---
North Pennsylvania General Hospital, Austin	1,321	1 80	2,377 80	2,500 00	---	122 20
Northwestern General Hospital	1,760	1 81	3,185 00	---	---	---
Ohio Valley General Hospital, McKees Rocks	3,501	1 63	5,706 63	5,000 00	706 63	---
Oil City Hospital	1,896	2 00	3,792 00	9,000 00	---	5,208 00
Packer Hospital, Sunbury	3,592	1 89	6,788 88	7,000 00	---	211 12

Statement Showing Free Hospital Days, Cost Per Diem, Etc.—Continued.

	Free hospital days.	Cost per diem.	Total cost free days.	State appropriation.	Amount expended in excess of appropriation.	Amount of appropriation not expended.
Packer Hospital, Sayre.....	7,793	\$3 42	\$26,652 06	\$12,500 00	\$14,152 06	---
Passavant Hospital, Pittsburg.....	4,172	2 12	8,844 64	2,500 00	6,344 64	---
Pennsylvania Epileptic Hospital, Oakburne.....	18,714	85	15,906 90	4,500 00	11,406 90	---
Pennsylvania Hospital, Philadelphia.....	82,827	1 61	133,351 47	---	---	---
Phoenixville Hospital	10,922	1 38	15,072 36	7,000 00	8,072 36	---
Philadelphia Lying-in Charity Hospital	5,206	2 52	13,119 12	9,000 00	4,119 12	---
Philadelphia Polyclinic Hospital	14,054	1 48	20,779 92	22,500 00	---	\$1,700 08
Philadelphia Orthopaedic Hospital.....	18,494	1 99	36,803 06	12,500 00	24,303 06	---
Philadelphia Home for Incurables	12,045	1 14	13,731 30	15,000 00	---	1,268 70
Pittsburg Hospital (Sisters of Charity).....	8,655	2 38	19,598 90	17,500 00	2,098 90	---
Pittsburg Hospital for Children	13,239	1 48	19,593 72	10,000 00	9,593 72	---
Pittston Hospital	7,629	1 43	10,909 47	9,000 00	1,909 47	---
Pottstown Hospital	5,468	2 05	11,209 40	6,500 00	4,709 40	---
Pottsville Hospital	22,403	1 34	30,020 02	20,000 00	10,020 02	---

Statement Showing Free Hospital Days, Cost Per Diem, Etc.—Continued.

	Free hospital days.	Cost per diem.	Total cost free days.	State appropriation.	Amount expended in excess of appro- priation.	Amount of appro- priation not ex- pended.
Presbyterian Hospital, Philadelphia	33,057	\$2 03	\$67,105 71			
Presbyterian Hospital, Pittsburg	4,883	2 23	10,839 09	\$12,500 00		\$1,610 91
Ratti Hospital, Bloomsburg	1,406	1 82	2,558 92	1,500 00	\$1,058 92	
Reading Hospital	14,913	1 29	19,237 77	10,000 00	9,237 77	
Reinman Maternity Hospital	5,920	90	5,328 00	3,625 00	1,703 00	
Rochester General Hospital	3,122	2 60	8,117 20	5,000 00	3,647 20	
Roosevelt Hospital, Philadelphia	6,563	1 37	8,991 31	2,000 00	6,991 31	
St. Agnes' Hospital, Philadelphia	18,811	1 86	34,938 46	25,000 00	9,938 46	
St. Christopher's Hospital, Philadelphia	9,213	1 76	16,214 88	7,500 00	8,714 88	
St. Francis' Hospital, Pittsburg	29,267	95	27,803 65	20,000 00	7,803 65	
St. John's General Hospital, Pittsburg	14,573	1 28	18,653 44	12,500 00	6,153 44	
St. Joseph's Hospital, Philadelphia	23,800	2 31	54,978 00	17,500 00	7,478 00	
St. Joseph's Hospital, Pittsburg	5,040	2 10	10,584 00	5,000 00	5,584 00	
St. Joseph's Hospital, Reading	26,934	1 05	28,280 70	7,500 00	20,780 70	
St. Luke's Hospital, Philadelphia	8,045	1 89	15,205 05	10,000 00	5,205 05	

Statement Showing Free Hospital Days, Cost Per Diem, Etc.—Continued.

	Free hospital days.	Cost per diem.	Total cost free days.	State appropriation.	Amount expended in excess of appropriation.	Amount of appropriation not expended.
St. Luke's Hospital, Bethlehem	16,278	\$2 09	\$34,021 02	\$15,000 00	\$19,021 02	---
St. Mary's Hospital, Philadelphia	8,810	2 16	19,029 60	5,000 00	14,029 60	---
St. Timothy's Memorial Hospital	13,486	1 73	23,244 28	10,000 00	13,244 28	---
St. Vincent's Hospital Association, Erie	10,743	1 70	18,263 10	7,500 00	10,763 10	---
Samaritan Hospital, Philadelphia	24,629	1 70	41,869 30	20,000 00	21,869 30	---
Sewickley Valley Hospital	2,853	2 35	6,704 55	1,250 00	5,454 55	---
South Side Hospital, Pittsburg	4,252	2 07	8,801 64	45,000 00	---	\$36,198 36
Spencer Hospital, Meadville	3,328	1 56	5,191 68	5,000 00	191 68	---
Suburban General Hospital	1,629	2 72	4,430 88	1,000 00	3,430 88	---
Stetson Hospital, Philadelphia	9,213	2 11	19,439 43	2,500 00	16,939 43	---
Taylor Hospital Association	6,421	1 16	7,448 36	6,000 00	1,448 36	---
Titusville Hospital	2,109	2 40	5,061 00	5,000 00	61 00	---
Todd Hospital, Carlisle	921	2 83	2,652 43	2,000 00	652 43	---
Uniontown Hospital	19,385	1 50	29,077 50	12,500 00	16,577 50	---
University of Pennsylvania Hospital, Philadelphia	60,486	2 22	134,278 92	62,500 00	71,778 92	---

Statement Showing Free Hospital Days, Cost Per Diem, Etc.—Continued.

	Free hospital days.	Cost per diem.	Total cost free days.	State appropriation.	Amount expended in excess of appropriation.	Amount of appropriation not expended.
Warren Emergency Hospital-----	4,551	\$1 80	\$8,191 80	\$6,000 00	\$2,191 80	-----
Washington Hospital -----	4,857	1 61	7,819 77	5,000 00	2,819 77	-----
West Philadelphia General Homeopathic Hospital-----	6,077	2 13	12,944 01	5,000 00	7,944 01	-----
West Side Hospital, Seranton-----	6,267	1 55	9,713 85	6,000 00	3,713 85	-----
Western Pennsylvania Hospital, Pittsburg-----	41,221	1 87	77,083 27	62,500 00	14,583 27	-----
West Philadelphia Hospital for Women-----	10,804	1 43	15,449 72	5,000 00	10,449 72	-----
Wilkes-Barre City Hospital-----	25,249	1 64	41,408 36	17,500 00	23,908 36	-----
Wills Hospital, Philadelphia-----	22,630	1 61	36,434 30	15,000 00	21,434 30	-----
Williamsport Hospital -----	22,516	1 23	27,694 68	20,000 00	7,694 68	-----
Women's Homeopathic Association Hospital, Philadelphia-----	13,175	1 79	23,583 25	10,000 00	13,583 25	-----
Women's Hospital, Philadelphia-----	19,284	1 79	34,518 36	20,000 00	14,518 36	-----
Women's Medical College Hospital, Philadelphia-----	11,433	1 83	20,922 39	12,500 00	8,422 39	-----
Women's Southern Homeopathic Hospital, Philadelphia-----	3,745	1 47	5,505 15	3,500 00	2,005 15	-----
Total-----	1,563,740	-----	\$2,718,374 45	\$1,527,875 00	\$928,602 19	\$88,501 40

NOTE.—Hospitals not shown herein failed to submit statistics.

Statement Showing Total Appropriations to the Various Hospitals, Not Under State Control, for Maintenance, Buildings, Improvements, Etc., to May 31, 1911, from Data Collected and Prepared by the Board of Public Charities.

	Maintenance.	Buildings.	Improvements, etc.	Total.
Adrian Hospital Association.....	\$148,000 00	\$32,000 00	\$13,000 00	\$193,000 00
Allegheny General Hospital.....	783,000 00	255,000 00	-----	1,023,000 00
Allentown Hospital	104,000 00	10,500 00	-----	114,500 00
Altoona Hospital	214,000 00	46,500 00	3,500 00	264,000 00
American Hospital for Diseases of Stomach, Philadelphia.....	10,000 00	5,000 00	-----	15,000 00
American Oncologic Hospital.....	50,000 00	-----	-----	50,000 00
Barnes, Sirion H., Memorial Hospital.....	8,000 00	2,000 00	-----	10,000 00
Beaver Valley General Hospital.....	85,000 00	18,000 00	13,000 00	116,000 00
Bellefonte Hospital	21,000 00	12,000 00	1,000 00	34,000 00
Berwick Hospital	4,000 00	-----	-----	4,000 00
Braddock General Hospital.....	50,000 00	5,000 00	-----	55,000 00

Statement Showing Total Appropriations to Various Hospitals, for Maintenance, Etc.—Continued.

	Maintenance.	Buildings.	Improvements, etc.	Total.
Bradford Hospital -----	\$83,000 00	\$72,000 00	\$5,000 00	\$170,000 00
Buhl, Christian H., Hospital -----	89,000 00	33,000 00	5,000 00	127,000 00
Butler County General Hospital -----	57,500 00	25,000 00	-----	82,500 00
Canonsburg General Hospital -----	7,000 00	-----	-----	7,000 00
Carbondale Hospital Association -----	125,500 00	10,800 00	11,000 00	147,300 00
Chambersburg Hospital -----	25,000 00	-----	-----	25,000 00
Charity Hospital, Norristown -----	115,000 00	18,500 00	7,000 00	140,500 00
Chester Hospital -----	138,000 00	28,000 00	-----	166,000 00
Chester County Hospital -----	97,000 00	5,000 00	2,000 00	104,000 00
Chestnut Hill Hospital -----	1,500 00	-----	-----	1,500 00
Children's Homeopathic Hospital -----	158,000 00	21,000 00	-----	179,000 00
City Hospital, Washington -----	11,000 00	9,000 00	-----	20,000 00
Clearfield Hospital -----	20,000 00	8,000 00	-----	28,000 00
Coatesville Hospital -----	50,000 00	-----	-----	50,000 00

Statement Showing Total Appropriations to Various Hospitals, for Maintenance, Etc.—Continued.

	Maintenance.	Buildings.	Improvements, etc.	Total.
Columbia Hospital, Columbia-----	\$45,000 00	\$21,500 00	-----	\$66,500 00
Columbia Hospital, Wilkensburg-----	50,000 00	25,000 00	-----	75,000 00
Conemaugh Valley Memorial Hospital-----	207,000 00	17,500 00	\$12,500 00	237,000 00
Corry Hospital Association-----	47,500 00	-----	14,000 00	61,500 00
Douglass, Fred., Memorial Hospital-----	80,000 00	8,000 00	-----	94,000 00
Du Bois Hospital-----	28,000 00	-----	-----	28,000 00
Easton Hospital-----	108,500 00	25,000 00	-----	193,500 00
Elk County General Hospital-----	53,000 00	-----	-----	53,000 00
Eye, Ear and Throat Hospital-----	70,000 00	48,000 00	-----	124,000 00
Frankford Hospital-----	75,000 00	65,000 00	-----	140,000 00
Franklin Hospital-----	48,000 00	20,000 00	-----	68,000 00
Garretson Hospital-----	80,000 00	35,000 00	-----	115,000 00
General and Emergency Hospital, Pittsburg-----	4,000 00	-----	-----	4,000 00
German Hospital, Philadelphia-----	217,500 00	76,600 00	-----	294,100 00

Statement Showing Total Appropriations to Various Hospitals, for Maintenance, Etc.—Continued.

	Maintenance.	Buildings.	Improvements, etc.	Total.
Good Samaritan Hospital, Lebanon.....	\$97,000 00	\$41,000 00	-----	\$138,000 00
Greenville Hospital	10,000 00	-----	-----	10,000 00
Grove City Hospital.....	6,000 00	-----	-----	6,000 00
Gynecean Hospital	218,750 00	52,000 00	-----	270,750 00
Hahnemann Hospital, Philadelphia.....	553,280 00	340,000 00	-----	893,280 00
Hahnemann Hospital, Scranton.....	76,500 00	35,000 00	-----	111,500 00
Hamot Hospital Association.....	138,059 96	6,000 00	-----	139,059 96
Harrisburg Hospital	46,000 00	9,500 00	\$5,000 00	56,500 00
Homeopathic Medical and Surgical Hospital, Pittsburg.....	719,639 28	310,000 00	7,500 00	1,037,139 28
Homeopathic Medical and Surgical Hospital, Reading.....	59,500 00	-----	1,000 00	60,500 00
Homestead Hospital Association.....	15,000 00	10,000 00	-----	25,000 00
Howard Hospital	57,000 00	10,000 00	-----	67,000 00
Jefferson Hospital	710,000 00	550,000 00	150,000 00	1,410,000 00
Jewish Hospital Association.....	100,000 00	45,000 00	-----	145,000 00

Statement Showing Total Appropriations to Various Hospitals, for Maintenance, Etc.—Continued.

	Maintenance.	Buildings.	Improvements, etc.	Total.
Johnstown City Hospital.....	\$15,000 00			\$15,000 00
Kane Summit Hospital.....	49,000 00	\$5,000 00	\$4,753 59	58,753 59
Kensington Hospital for Women.....	65,000 00	15,000 00		80,000 00
Kittanning General Hospital.....	32,000 00	7,000 00		39,000 00
Lancaster General Hospital.....	80,000 00	60,000 00		149,000 00
Latrobe Hospital.....	4,000 00			4,000 00
Lewistown Hospital.....	24,000 00	12,000 00		36,000 00
Lock Haven Hospital.....	58,000 00	20,000 00		78,000 00
Maternity Hospital, Philadelphia.....	51,625 00	2,000 00		53,625 00
Meadville City Hospital.....	75,500 00	3,000 00	27,500 00	106,000 00
Medico-Chirurgical Hospital.....	765,000 00	615,000 00	210,000 00	1,490,000 00
Mercy Hospital, Pittsburg.....	454,500 00	190,000 00	25,000 00	669,500 00
Mercy Hospital, Philadelphia.....	20,000 00			20,000 00
Mercy Hospital, Wilkes-Barre.....	93,000 00	30,000 00		123,000 00

Statement Showing Total Appropriations to Various Hospitals, for Maintenance, Etc.—Continued.

	Maintenance.	Buildings.	Improvements, etc.	Total.
Miners' Hospital of Northern Cambria.....	\$13,000 00	\$3,000 00	-----	\$16,000 00
Monongahela Memorial Hospital.....	40,000 00	20,000 00	-----	60,000 00
Mount Pleasant Memorial Hospital.....	42,166 96	21,000 00	-----	63,166 96
Mount Sinai Hospital.....	50,000 00	5,000 00	-----	55,000 00
McKeesport Hospital	211,000 00	88,500 00	-----	299,500 00
Nanticoke Hospital Association.....	15,000 00	10,000 00	-----	25,000 00
Nason Hospital Association.....	40,000 00	-----	\$1,000 00	41,000 00
North Pennsylvania General Hospital.....	20,000 00	-----	-----	20,000 00
Ohio Valley General Hospital.....	30,000 00	15,000 00	-----	45,000 00
Oil City Hospital.....	133,000 00	16,000 00	1,500 00	150,500 00
Packer Hospital	82,000 00	9,000 00	-----	91,000 00
Packer Hospital, Sayre.....	99,000 00	24,591 76	-----	123,591 76
Panther Creek Valley Hospital.....	13,000 00	7,000 00	10,000 00	30,000 00
Passavant Hospital, Pittsburg.....	10,000 00	-----	-----	10,000 00

Statement Showing Total Appropriations to Various Hospitals, for Maintenance, Etc.—Continued.

	Maintenance.	Buildings.	Improvements, etc.	Total.
Philadelphia Lying-in Charity Hospital.....	\$113,500 00			\$113,500 00
Philadelphia Orthopaedic Hospital.....	153,000 00	\$46,000 00	\$21,000 00	220,000 00
Phoenixville Hospital	89,000 00	15,000 00	20,000 00	124,000 00
Pennsylvania Epileptic Hospital.....	54,000 00			54,000 00
Philadelphia Home for Incurables.....	95,000 00	5,000 00	10,000 00	110,000 00
Pittsburg Hospital for Children.....	50,000 00			50,000 00
Pittsburg Hospital (Sisters of Charity).....	55,000 00	15,000 00	10,000 00	80,000 00
Pittston Hospital Association.....	123,500 00	27,000 00	11,500 00	162,000 00
Polyclinic Hospital	312,500 00	155,000 00		467,500 00
Pottstown Hospital	90,500 00	65,500 00		156,000 00
Pottsville Hospital	225,000 00		12,000 00	237,000 00
Presbyterian Hospital, Pittsburg.....	100,000 00	105,000 00		205,000 00
Passavant Memorial Home for Epileptics.....	23,000 00			23,000 00
Ratti, Jos., Hospital.....	7,000 00	5,000 00		12,000 00

Statement Showing Total Appropriations to Various Hospitals, for Maintenance, Etc.—Continued.

	Maintenance.	Buildings.	Improvements, etc.	Total.
Reading Hospital -----	\$173,500 00	\$25,000 00	\$11,900 00	\$255,400 00
Renovo Hospital -----	1,500 00			1,500 00
Rochester General Hospital -----	37,000 00	15,000 00		52,000 00
Roosevelt Hospital -----	8,000 00			8,000 00
Samaritan Hospital, Philadelphia -----	175,000 00	135,000 00		310,000 00
Sewickley Valley Hospital Association -----	11,500 00	2,500 00		14,000 00
Shenango Valley Hospital -----	136,826 68	35,500 00	12,000 00	184,326 68
South Side Hospital, Pittsburg -----	346,000 00	20,000 00		366,000 00
Spencer Hospital -----	72,500 00	22,500 00		95,000 00
Stetson Hospital -----	10,000 00			10,000 00
Suburban General Hospital -----	7,000 00		1,000 00	8,000 00
St. Agnes' Hospital, Philadelphia -----	155,000 00	15,000 00		170,000 00
St. Christopher's Hospital for Children -----	102,000 00			102,000 00
St. Francis' Hospital -----	132,500 00	125,000 00		257,500 00
St. John's General Hospital -----	104,000 00	40,000 00		144,000 00

Statement Showing Total Appropriations to Various Hospitals, for Maintenance, Etc.—Continued.

	Maintenance.	Buildings.	Improvements, etc.	Total.
St. Joseph's Hospital, Philadelphia.....	\$160,000 00	-----	\$34,000 00	\$194,000 00
St. Joseph's Hospital, Pittsburgh	20,000 00	\$25,000 00	-----	45,000 00
St. Joseph's Hospital, Reading	55,000 00	15,000 00	-----	70,000 00
St. Luke's Hospital, South Bethlehem.....	195,500 00	5,000 00	-----	200,500 00
St. Luke's Hospital, Philadelphia.....	85,000 00	45,000 00	-----	130,000 00
St. Mary's Hospital, Philadelphia	64,500 00	10,000 00	6,000 00	80,500 00
St. Timothy's Memorial Hospital	116,000 00	16,000 00	8,500 00	140,500 00
St. Vincent's Hospital Association Erie.....	79,000 00	-----	1,500 00	80,500 00
Taylor Hospital Association	22,000 00	27,500 00	-----	49,500 00
Titusville Hospital	38,000 00	4,000 00	-----	42,000 00
Todd Hospital	17,000 00	500 00	-----	17,500 00
Unontown Hospital	104,000 00	43,000 00	-----	147,000 00
University Hospital, Philadelphia.....	800,000 00	\$90,000 00	-----	1,190,000 00
University of Pittsburgh Hospital.....	135,250 00	182,000 00	-----	\$17,250 00

Statement Showing Total Appropriations to Various Hospitals, for Maintenance, Etc.—Continued.

	Maintenance.	Buildings.	Improvements, etc.	Total.
Warren Emergency Hospital.....	\$53,000 00	\$6,000 00	-----	\$59,000 00
Washington Hospital	44,000 00	14,000 00	-----	58,000 00
Waynesburg Hospital	17,000 00	-----	-----	17,000 00
Wayne County Hospital Association.....	10,000 00	-----	-----	10,000 00
Westmoreland Hospital Association.....	130,000 00	15,000 00	-----	145,000 00
Western Pennsylvania Hospital.....	1,163,589 37	344,000 00	\$48,000 00	1,555,589 37
West Philadelphia General Homeopathic Hospital.....	22,000 00	5,000 00	-----	27,000 00
West Philadelphia Hospital for Women.....	31,000 00	2,500 00	-----	33,500 00
West Side Hospital Association, Scranton.....	78,500 00	16,750 00	-----	95,250 00
Wilkes-Barre City Hospital.....	342,000 00	116,000 00	30,000 00	488,000 00
Williamsport Hospital	212,000 00	99,000 00	-----	311,000 00
Wills Hospital	155,000 00	115,000 00	-----	270,000 00
Women's Homeopathic Association Hospital.....	134,300 00	75,000 00	2,400 00	211,700 00
Women's Hospital of Philadelphia.....	164,000 00	20,000 00	32,500 00	216,500 00

Statement Showing Total Appropriations to Various Hospitals, for Maintenance, Etc.—Continued.

	Maintenance.	Buildings.	Improvements, etc.	Total.
Women's Medical College Hospital.....	\$80,000 00	\$25,000 00	-----	\$105,000 00
Women's Southern Homeopathic Hospital.....	27,000 00	-----	-----	27,000 00
York Hospital	99,000 00	36,000 00	-----	135,000 00
Total.....	\$16,649,496 57	\$9,074,241 76	\$790,553 59	\$23,508,281 92

The total amount appropriated to Homes, not under State control, for buildings and improvements from 1850 to the end of the fiscal year, May 31, 1911, is, approximately, \$3,601,497.07.

NOTE.—The period of time covered by these appropriations varies with each institution. The Board has endeavored to secure accurate figures from the time each institution received its first appropriation down to the present time (May 31, 1909).

NOTE.—Hospitals not shown herein failed to submit statistics.

Statement Showing Value of Real Estate, Beds Occupied and Patients Treated in Hospitals not under State Control for Year Ending May 31, 1909, From Data Collected and Prepared by the Board of Public Charities.

	Value of real estate.	Number of beds for patients.	Number of indigent patients.	Number of dispensary patients.	Number of indigent patients treated free.	Number of indigent patients treated partly free.	Number of pay patients.	Average number of beds occupied during year.	Number of beds occupied May 31, 1909.
Adrian Hospital Association, Punxsutawney.....	\$65,000 00	72	686	---	545	22	119	57	63
Allegheny General Hospital, Pittsburg.....	1,000,000 00	350	3,820	1,631	1,948	1,032	840	228	203
Allentown Hospital Association, Allentown.....	88,900 00	104	1,186	348	843	43	301	67	77
Altoona Hospital, Altoona.....	200,000 00	122	1,133	4,577	920	18	195	67	79
American Hospital for Diseases of Stomach, Philadelphia.....	35,000 00	35	351	10,511	44	215	92	16	19
American Oncologic Hospital, Philadelphia.....	51,840 55	22	110	3,154	41	61	8	15	15
Barnes, Simon H., Memorial Hospital, Susquehanna.....	10,666 26	18	106	101	19	77	10	6	3
Beaver Valley General Hospital, New Brighton.....	50,000 00	55	418	---	98	246	74	19	23
Belleville Hospital, Belleville.....	19,000 00	25	329	---	185	85	59	22	13
Berwick Hospital, Berwick.....	600 00	13	103	---	53	6	44	6	6

Statement Showing Value of Real Estate, Beds Occupied and Patients Treated, Etc.—Continued.

	Value of real estate.	Number of beds for patients.	Number of indigent patients.	Number of dispensary patients.	Number of indigent patients treated free.	Number of indigent patients treated partly free.	Number of pay patients.	Average number of beds occupied during year.	Number of beds occupied May 31, 1909.
Bradford Hospital, Bradford.....	\$117,091 54	85	983	---	307	38	638	49	47
Braddock General Hospital, Braddock.....	90,000 00	70	658	96	180	109	369	37	34
Buhl, Christian H., Hospital, Sharon.....	62,261 43	50	330	11	184	---	157	28	14
Butler County General Hospital, Butler.....	59,896 27	45	536	---	208	67	261	17	26
Canonsburg General Hospital, Canonsburg.....	12,000 00	15	92	---	20	4	---	8	16
Carbondale Emergency Hospital, Carbondale.....	58,000 00	41	414	254	214	22	178	22	31
Chambersburg Hospital, Chambersburg.....	37,277 44	40	317	---	118	132	67	25	19
Charity Hospital, Norristown.....	98,000 00	52	520	475	446	7	67	24	33
Chestnut Hill Hospital, Philadelphia.....	55,000 00	30	307	180	100	66	141	17	11
Chester Hospital, Chester.....	70,011 12	82	879	3,595	667	122	106	38	33
Chester County Hospital, West Chester.....	75,000 00	100	951	---	636	17	308	48	54
Children's Homeopathic Hospital, Philadelphia.....	207,729 40	152	1,421	26,786	1,267	149	5	65	59
Children's Hospital, Philadelphia.....	300,000 00	75	1,513	4,801	4,801	---	---	53	53

Statement Showing Value of Real Estate, Beds Occupied and Patients Treated, Etc.—Continued.

	Value of real estate.	Number of beds for patients.	Number of indigent patients.	Number of dispensary patients.	Number of indigent patients treated free.	Number of indigent patients treated partly free.	Number of pay patients.	Average number of beds occupied during year.	Number of beds occupied May 31, 1909.
City Hospital, Washington.....	\$37,600 00	46	613	9	264	122	227	16	25
Coatesville Hospital, Coatesville.....	30,000 00	35	245	—	189	41	15	20	19
Columbia Hospital, Columbia.....	55,000 00	53	171	570	570	83	88	21	14
Columbia Hospital, Wilkensburg.....	—	155	1,284	—	331	—	903	63	60
Conemaugh Valley Memorial Hospital, Johnstown.....	100,000 00	131	1,925	—	1,149	79	697	102	104
Corry Hospital Association, Corry.....	18,000 00	35	221	66	117	—	105	12	12
Crozler Hospital, Chester.....	—	70	456	1,053	—	—	—	—	—
Douglass, Fred'k, Memorial Hospital, Philadelphia.....	100,000 00	21	207	2,689	207	—	—	15	15
Du Bois Hospital, Du Bois.....	15,000 00	18	64	—	28	5	31	4	6
Easton Hospital, Easton.....	88,000 00	85	875	878	447	169	259	46	46
Elk County General Hospital, Ridgway.....	65,800 00	40	353	—	47	—	306	29	24
Eye, Ear and Throat Hospital, Pittsburg.....	60,000 00	42	1,328	16,216	291	403	629	38	40
Fabiana Italian Hospital, Philadelphia.....	—	28	163	3,250	1,200	950	—	12	10

Statement Showing Value of Real Estate, Beds Occupied and Patents Treated, Etc.—Continued.

	Value of real estate.	Number of beds for patients.	Number of indigent patients.	Number of dispensary patients.	Number of indigent patients treated free.	Number of indigent patients treated partly free.	Number of pay patients.	Average number of beds occupied during year.	Number of beds occupied May 31, 1909.
Franklin Hospital, Franklin-----	\$32,248 12	30	189	-----	65	-----	124	9	11
Frankford Hospital, Frankford-----	114,499 84	50	690	15,546	542	99	49	40	43
Garretson Hospital, Philadelphia-----	-----	28	463	1,642	300	35	128	17	11
General and Emergency Hospital, Pittsburg-----	-----	33	180	-----	45	70	65	15	20
German Hospital, Philadelphia-----	1,300,000 00	240	3,351	13,424	1,589	229	1,533	164	194
Germantown Hospital, Philadelphia-----	210,000 00	150	1,640	4,697	1,367	-----	273	84	92
Good Samaritan Hospital, Lebanon-----	38,610 05	35	276	380	220	14	42	16	21
Good Shepherd Hospital, Radnor-----	18,000 00	30	51	-----	11	40	-----	30	30
Greenville Hospital, Greenville-----	1,500 00	20	132	4	41	14	77	-----	-----
Grove City Hospital, Grove City-----	10,000 00	15	103	5	29	-----	79	4	4
Gynecean Hospital, Philadelphia-----	30,000 00	50	359	915	125	153	81	45	34
Hahnemann Hospital, Philadelphia-----	1,057,000 00	244	2,325	14,741	1,632	685	876	166	150
Hahnemann Hospital, Scranton-----	150,000 00	75	800	433	562	2	245	43	37

Statement Showing Value of Real Estate, Beds Occupied and Patients Treated, Etc.—Continued.

	Value of real estate.	Number of beds for patients.	Number of indigent patients.	Number of dispensary patients.	Number of indigent patients treated free.	Number of indigent patients treated partly free.	Number of pay patients.	Average number of beds occupied during year.	Number of beds occupied May 31, 1909.
Hamot Hospital Association, Erie-----	\$108,685 28	100	1,768	-----	655	10	1,103	53	54
Harrisburg Hospital, Harrisburg-----	175,000 00	104	1,364	6,217	927	20	417	65	61
Harrisburg Polyclinic Hospital, Harrisburg-----	-----	-----	13	61	9	2	2	2	1
Homeopathic Medical and Surgical Hospital, Reading-----	75,000 00	75	553	2,498	338	143	72	23	23
Homeopathic Medical and Surgical Hospital, Pittsburg-----	650,000 00	150	2,206	22,321	1,092	694	420	130	128
Homestead Hospital, Homestead-----	14,000 00	20	86	-----	12	3	71	7	10
Howard Hospital, Philadelphia-----	125,000 00	57	920	41,872	435	15	470	40	44
Jefferson Medical College Hospital, Philadelphia-----	1,235,000 00	338	5,044	34,549	3,140	711	1,193	230	232
Jewish Hospital Association, Philadelphia-----	600,000 00	145	1,923	5,534	1,544	168	211	129	128
Jewish Maternity Hospital, Philadelphia-----	12,000 00	22	347	307	347	-----	-----	9	12
Johnstown City Hospital, Johnstown-----	20,000 00	21	4,077	12	1,988	539	1,550	18	13
Kane Summit Hospital, Kane-----	18,450 25	56	459	-----	191	256	12	22	23
Kensington Hospital for Women, Philadelphia-----	90,000 00	40	437	627	159	210	68	30	27

Statement Showing Value of Real Estate, Beds Occupied and Patients Treated, Etc.—Continued.

	Value of real estate.	Number of beds for patients.	Number of indigent patients.	Number of dispensary patients.	Number of indigent patients treated free.	Number of indigent patients partly free.	Number of pay patients.	Average number of beds occupied during year.	Number of beds occupied May 31, 1909.
Kittanning General Hospital, Kittanning.....	\$20,000 00	25	149	1,236	47	1	101	6	8
Lancaster General Hospital, Lancaster.....	125,000 00	50	969	454	531	120	268	43	43
Lewistown Hospital, Lewistown.....	60,531 00	36	274	---	150	17	107	13	14
McKeesport Hospital, McKeesport.....	193,391 41	140	2,086	---	317	122	1,047	91	93
Maternity Hospital, Philadelphia.....	40,432 46	22	105	---	65	40	---	14	11
Meadville City Hospital, Meadville.....	35,000 00	32	417	---	30	279	108	16	20
Medico-Chirurgical Hospital, Philadelphia.....	1,425,000 00	176	2,151	62,747	879	853	414	99	105
Mercy Hospital, Philadelphia.....	10,500 00	19	395	636	247	35	113	15	12
Mercy Hospital, Pittsburg.....	1,000,000 00	370	4,594	2,107	1,621	477	2,496	339	363
Mercy Hospital, Wilkes-Barre.....	168,000 00	128	1,205	2,480	820	201	184	87	---
Methodist Episcopal Hospital, Philadelphia.....	477,500 00	115	1,305	7,767	570	---	---	74	84
Monongahela Memorial Hospital, Monongahela.....	17,500 00	48	343	---	123	211	9	25	17
Mount Pleasant Memorial Hospital, Mt. Pleasant.....	57,020 93	40	302	310	61	224	17	13	13

Statement Showing Value of Real Estate, Beds Occupied and Patients Treated, Etc.—Continued.

	Value of real estate.	Number of beds for patients.	Number of indigent patients.	Number of dispensary patients.	Number of indigent patients treated free.	Number of indigent patients.	Number of pay patients.	Average number of beds occupied during year.	Number of beds occupied May 31, 1909.
Mount Sinai Hospital, Philadelphia.....	\$71,948 53	34	756	51,474	642	79	35	30	80
Montefiore Hospital, Pittsburg.....	125,000 00	60	725	104	235	115	315	49	50
Nason Hospital Association, Roaring Springs.....	20,000 00	40	234		179	76	79	20	25
New Castle Hospital, New Castle.....	55,000 00	26	139		14	19	106	20	20
North Pennsylvania Gen. Hospital and Sanitarium, Austin	15,000 00	25	206		57		172	13	10
Northwestern General Hospital, Philadelphia.....	10,000 00	22	396	940	109	227	60	13	15
Ohio Valley General Hospital, McKees Rocks.....	50,000 00	50	556	205	76	306	174	30	23
Oil City Hospital, Oil City.....	66,660 74	53	437		106	3	328	23	19
Packer, Mary M., Hospital, Sunbury.....	30,000 00	30	278	59	187	46	54	19	
Packer, Robert, Hospital, Sayre.....	100,000 00	57	648	1,508	330	38	230	32	24
Passavant Hospital, Pittsburg.....	200,000 00	80	1,203	1,103	147	112	944	56	67
Pennsylvania Epileptic Hos'l and Colony Farm, Oakburne	107,705 04	82	95		76	14	5	63	79
Pennsylvania Hospital, Philadelphia.....		315	4,351	44,597	4,127		304	235	241

Statement Showing Value of Real Estate, Beds Occupied and Patients Treated, Etc.—Continued.

	Value of real estate.	Number of beds for patients.	Number of indigent patients.	Number of dispensary patients.	Number of indigent patients treated free.	Number of indigent patients treated partly free.	Number of pay patients.	Average number of beds occupied during year.	Number of beds occupied May 31, 1909.
Phoenixville Hospital -----	\$75,000 00	55	595	527	420	63	112	42	39
Philadelphia Lying-in Charity Hospital, Philadelphia-----	65,000 00	40	321	978	215	164	42	23	23
Philadelphia Polyclinic Hospital, Philadelphia-----	319,061 33	108	1,549	104,599	989	157	403	64	55
Philadelphia Orthopaedic Hospital, Philadelphia-----	205,000 00	118	617	19,077	252	106	259	99	103
Philadelphia Home for Incurables, Philadelphia-----	231,973 50	147	147	-----	133	106	8	147	147
Pittsburg Hospital (Sisters of Charity), Pittsburg-----	410,000 00	100	1,161	1,052	399	112	650	61	64
Pittsburg Hospital for Children, Pittsburg-----	20,000 00	48	355	2,839	355	-----	-----	43	41
Pittston Hospital, Pittston-----	50,000 00	34	339	264	261	13	60	22	16
Pottstown Hospital, Pottstown-----	65,000 00	32	282	1,112	213	13	57	17	16
Pottsville Hospital, Pottsville-----	141,000 00	100	1,234	962	1,094	38	102	26	63
Presbyterian Hospital, Philadelphia-----	310,350 00	237	2,052	5,995	1,127	437	962	145	144
Presbyterian Hospital, Pittsburg-----	50,000 00	58	798	-----	187	257	342	38	43
Ratti, Joseph, Hospital, Bloomsburg-----	11,075 00	15	199	37	92	38	69	9	7

Statement Showing Value of Real Estate, Beds Occupied and Patients Treated, Etc.—Continued.

	Value of real estate.	Number of beds for patients.	Number of indigent patients.	Number of dispensary patients.	Number of indigent patients treated free.	Number of indigent patients treated partly free.	Number of pay patients.	Average number of beds occupied during year.	Number of beds occupied May 31, 1909.
Reading Hospital, Reading-----	\$82,578 06	63	907	3,322	658	45	204	55	48
Reinman Maternity (Univ. of Pbg.) Hospital, Pittsburg-----	8,500 00	33	128	-----	117	80	6	-----	18
Rochester General Hospital-----	41,800 00	36	284	26	81	166	37	14	14
Roosevelt Hospital, Philadelphia-----	-----	44	533	6,680	457	61	15	19	32
St. Agnes Hospital, Philadelphia-----	555,000 00	243	2,464	8,859	1,357	-----	1,107	127	131
St. Christopher Hospital for Children, Philadelphia-----	60,000 00	50	911	19,542	751	160	-----	-----	21
St. Francis Hospital, Pittsburg-----	150,000 00	250	2,705	920	1,610	657	1,358	208	215
St. John's General Hospital, Pittsburg-----	246,000 00	125	1,546	245	784	-----	762	75	55
St. Joseph's Hospital, Lancaster-----	-----	98	1,033	458	516	-----	517	-----	-----
St. Joseph's Hospital, Philadelphia-----	165,000 00	175	2,718	37,752	1,177	537	1,004	127	117
St. Joseph's Hospital, Pittsburg-----	39,500 00	24	347	3,704	90	30	227	18	20
St. Joseph's Hospital, Reading-----	260,000 00	135	983	908	730	63	190	99	87
St. Luke's Hospital, Philadelphia-----	125,000 00	56	706	11,236	418	181	107	31	42
St. Luke's Hospital, South Bethlehem-----	250,000 00	88	1,179	1,618	911	169	99	58	66

Statement Showing Value of Real Estate, Beds Occupied and Patients Treated, Etc.—Continued.

	Value of real estate.	Number of beds for patients.	Number of indigent patients.	Number of dispensary patients.	Number of indigent patients treated free.	Number of indigent patients treated partly free.	Number of pay patients.	Average number of beds occupied during year.	Number of beds occupied May 31, 1909.
St. Mary's Hospital, Philadelphia.....	\$102,000 00	143	1,858	6,335	1,618	140	100	83	65
St. Timothy's Memorial Hospital, Philadelphia.....	188,897 33	75	899	1,816	733	-----	166	44	35
St. Vincent's Hospital Association, Erie.....	52,800 00	100	1,122	360	634	124	364	-----	59
Samaritan Hospital, Philadelphia.....	125,000 00	125	2,443	7,901	1,804	268	371	106	90
Sewickley Valley Hospital Association, Sewickley.....	44,441 09	23	320	20	80	155	85	16	13
Shenango Valley Hospital, New Castle.....	92,253 11	100	855	-----	154	39	562	43	39
South Side Hospital, Pittsburg.....	60,737 57	250	959	389	262	925	191	-----	67
Spencer Hospital, Meadville.....	38,500 00	40	476	-----	140	177	159	20	21
Springdale General Hospital, Springdale.....	1,500 00	12	130	12	30	-----	100	-----	9
Suburban General Hospital, Bellevue.....	30,000 00	20	127	13	28	65	47	8	9
Stetson Hospital, Philadelphia.....	-----	58	827	7,589	335	77	415	-----	35
Taylor Hospital Association, Taylor.....	45,000 00	30	256	101	240	9	7	15	16
Titusville Hospital, Titusville.....	28,170 53	25	168	7	48	19	101	10	9

Statement Showing Value of Real Estate, Beds Occupied and Patients Treated, Etc.—Continued.

	Value of real estate.	Number of beds for patients.	Number of indigent patients.	Number of dispensary patients.	Number of indigent patients treated free.	Number of indigent patients treated partly free.	Number of day patients.	Average number of beds occupied during year.	Number of beds occupied May 31, 1909.
Todd Hospital, Carlisle.....	\$11,000 00	9	63	3	44	2	39	3	7
Uniontown Hospital, Uniontown.....	102,000 00	87	375	—	450	360	85	59	53
University of Pennsylvania Hospital, Philadelphia.....	975,251 12	344	4,343	12,000	2,978	—	1,465	251	235
Warren Emergency Hospital, Warren.....	94,725 00	73	465	—	140	220	105	—	21
Washington Hospital, Washington.....	67,500 00	60	408	—	202	42	164	28	30
Westmoreland Hospital Association, Greensburg.....	80,000 00	75	900	—	500	—	—	50	—
West Philadelphia General Homeopathic Hospital, Phila.....	30,727 85	33	467	6,380	308	48	111	21	22
West Side Hospital, Scranton.....	75,000 00	23	414	802	355	11	48	21	21
Western Pennsylvania Hospital, Pittsburg.....	200,595 33	312	2,500	—	1,082	918	550	188	187
West Philadelphia Hospital for Women, Philadelphia.....	81,283 67	50	550	2,250	1,152	149	1,499	—	17
Wilkes-Barre City Hospital, Wilkes-Barre.....	170,044 42	130	1,747	692	1,144	355	248	87	73
Wills Hospital, Philadelphia.....	151,950 00	110	889	17,146	889	—	—	62	70
Williamsport Hospital, Williamsport.....	225,000 00	162	1,655	163	1,100	95	400	95	97

Statement Showing Value of Real Estate, Beds Occupied and Patients Treated, Etc.—Continued.

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	Value of real estate.	Number of beds for patients.	Number of indigent patients.	Number of dispensary patients.	Number of indigent patients treated.	Number of indigent patients treated partly free.	Number of pay patients.	Average number of beds occupied during year.	Number of beds occupied May 31, 1909.
Women's Homeopathic Association Hospital, Philadelphia	\$225,000 00	125	1,189	16,440	1,082	63	39	41	34
Women's Hospital, Philadelphia	350,000 00	153	1,705	4,978	761	722	228	103	98
Women's Medical College Hospital, Philadelphia	81,711 24	52	861	5,321	534	221	106	37	42
Women's Southern Homeopathic Hospital, Philadelphia	19,700 00	39	408	1,905	169	170	69	24	21
York Hospital, York	90,000 00	70	760	1,575	56	22	177	40	44
Total	\$21,807,551 15	12,045	137,472	756,903	82,870	20,541	40,799	7,184	7,296

NOTE.—Hospitals not shown herein failed to submit statistics.

The results shown by this table vary considerably. In the great majority of cases the cost exceeded the appropriation, the total cost of free days being \$2,718,374.45 and the appropriations (to these hospitals) being \$1,527,875. Only 21 hospitals received from the State more money than they expended in free treatment. As to some of these the excess was considerable in proportion to the amount of money appropriated. On the other hand, the excess of money spent in free treatment over appropriations varies greatly with the hospital. The Howard Hospital of Philadelphia, spent \$83,388 in free treatment, and received only \$5,000 from the State. The University of Pennsylvania Hospital spent \$134,278.92, and received only \$62,500. But as to thirteen hospitals the difference was less than \$1,000. The table also shows an extremely varying unit of cost, running from \$3.39 at the American Oncologic Hospital, Philadelphia, \$3.70 at the DuBois Hospital, and \$3.42 at The Packer Hospital at Sayre, to 63 cents at the Children's Hospital, Philadelphia, 95 cents at St. Francis Hospital, Pittsburgh, and the like. This is the result of the higher cost of treating special diseases like cancer, and the greater cost of supplies in small hospitals in remote districts, as well as difference in equipment.

In estimating the cost of free hospital days an element must fairly be reckoned upon which does not appear in the reports to the Board of Public Charities. This is the expense of free dispensary work which in some hospitals is very much larger than the cost of treating patients in wards, which alone is taken in arriving at the cost of "free hospital days." For instance, it appears from the table (page 63), that the appropriation to the Medico-Chirurgical Hospital of Philadelphia, for the year ending May 31, 1909, was \$30,239.10 in excess of the free hospital days. But this does not give a true idea of the charitable work of the hospital, as the partially free in-patients, accident, dispensary, electrical and X-ray patients are not included in this total. The total amount expended for

charitable patients for the twelve months ending May 31, 1909, is \$68,354.98. The Mount Sinai Hospital in Philadelphia, for example, for the year ending May 31, 1909, paid for free hospital days \$24,823.26 and received a State appropriation of \$10,000. It has only 34 beds, but its dispensary work extended to 51,474 patients. Methods of reckoning the cost of this work could be best determined by conference between the institutions involved and the Board of Public Charities, or the Department of State Charitable Institutions herein recommended (see page 99).

But even as to free hospital days, so-called, the method of arriving at the cost varies with the bookkeeping methods of the institution. Owing to the inter-relation of expenses it is impossible to get an exact figure. Some institutions divide the total cost of maintenance by the number of hospital days, both pay and free, and get at the cost of free hospital days by multiplying the quotient by the number of free days. It is obvious that as the cost of pay patients is much greater than that of free patients the result considerably overstates the cost of free hospital days. Other institutions, notably the Jefferson Medical College Hospital, state separately the total cost of maintaining free hospital days by employing an arbitrary percentage method based, of course, upon general experience, but containing nevertheless an unascertainable element of error. This method recognizes that pay patients cost more than free patients. The remedy is in a uniform method of accounting, which can best be devised by the Board of Public Charities or proposed Department of State Charitable Institutions in conference with the institutions interested. The combined experience of all may give a percentage which will determine with fair accuracy the cost of free patients.

The State aid, therefore, to each private charitable institution should be in the form of a fixed sum for each day a free patient is treated therein, the sum to be specially determined for each institution according to its experi-

ence of cost in the past. The wide variation in the unit of cost above noted would prevent the use of an average unit, which would produce an even greater inequality than now exists. This sum also can best be fixed for each one by the State Department which shall have the supervision of charities in consultation with the institution (a similar work to that of which the result is given in the table already mentioned), and your Committee recommends that an application be required to be made to such Department for this purpose, and proper consideration and treatment thereof can then be had. As it is not possible to determine in advance how many free patients will be treated during the next two appropriation years, the sum should be calculated on the basis of the amount expended for the last two years. It will then operate as a reimbursement to the institution for money expended and this is in line with the present policy of all such appropriations, the law requiring that the money be spent and vouchers furnished before the State relief is given. The method is already provided by the Auditors of the State for checking the application of the money, and this work can be continued by the Department proposed. In order not to unduly increase appropriations to charity, only part of such cost should be assumed by the State, and your Committee recommends that State aid be confined to two-thirds of the sum so expended. Two-thirds of the cost of free hospital days in the hospitals reported to the Board of Public Charities is \$1,812,249.62, and this exceeds the amount appropriated to those hospitals by only \$284,374.62. It is the expectation of your Committee that the additional revenue necessary to make up this sum (to which must be added the additional sum which will go to the few hospitals not reporting) will be at hand.

As above shown the State bears part of the cost of maintaining the poor insane in local insane hospitals, as well as in State institutions. No State aid is extended to the sick poor in the institutions maintained by local public authorities.

Your Committee recommends that State aid should also be extended to these in the same way, that is, in proportion to free hospital days. Data are not available for determining the cost of this or the extent to which it would be possible with the existing revenue, but the principle is worthy of the earnest consideration of the Legislature.

STATE INSTITUTIONS.

It was the opinion of some expressed to your Committee that State charity could be better distributed through the means of State institutions than through aiding private charities. The practice of the States noted elsewhere in this report (page 48) shows that the Pennsylvania system in the extent to which it has gone, is the exception rather than the rule. Your Committee is of the opinion that there should be no radical change of our policy in this regard, and that the present system is the most efficient in the country.

Notwithstanding the failure of other States to follow to any extent along the lines of Pennsylvania, her system is, nevertheless, winning favor and has the approval of students of the subject. We may expect to see the system spread rather than to have it universally disapproved. The extent of the relief afforded may be seen from the table above (pages 46, 59). This immense amount of relief is of unquestioned advantage to the State. It is largely in aid of those to whom help in sickness is otherwise impossible. To withdraw it suddenly would be inhuman, and the State and county institutions are not equipped to either render the assistance or to bear the burden. If any change is to be made it should be by way of a very gradual reduction of the relief, say by reducing the proportion of the cost of free hospital days to which the State should contribute. Sudden readjustments of the ways in which the State money

is expended are even more harmful than the sudden readjustment of the burden of raising it.

Yet there is no question that State institutions are necessary and that the first call upon the State Treasury for this purpose should be by those institutions which the State has undertaken, and which are dragging on unfinished and of no use. There are now four such in a partially finished state. The money which has been put into them has been idle, so far as actual help to anyone is concerned, from the date of the Acts creating them. These are the Eastern Pennsylvania State Institution for the Feeble Minded and Epileptic, State Hospital for the Criminal Insane, State Hospital for Injured Persons of the Trevorton, Shamokin and Mount Carmel Coal Fields, and the Homeopathic State Hospital for the Insane near Allentown. Of these the first (which is located at Spring City) has nearly 400 inmates, all male, and there is no provision for females, for which there is great need. This is only a small part of the accommodations intended to be afforded. The Rittersville Hospital is nearing completion. It was authorized in 1901, and construction was commenced in 1904. The Commission has been insistent in their requests for money to complete, but it was diverted to other uses. In at least one case the appropriations for the construction of the Allentown Hospital asked for by the Commission for erecting it to enable it to complete it, and approved by the Legislature have from the beginning been reduced by the Governor because, as stated in his veto reductions, there was not sufficient State revenue and this reduction was made though he had advocated in his message to the Legislature the completion of the institution, and recognized the pressing need for the proper care of the insane, whilst at the same time there were approved large appropriations to institutions not under State control.

The Trevorton Hospital was given \$60,000 by the Legislature of 1907, but only \$30,000 was approved by the Governor. The Legislature of 1909 gave \$75,000 for construction and \$50,000 for maintenance and the Governor

approved this for only \$25,000 each. The work has therefore stopped for lack of funds. The Farview Hospital was given \$250,000 by the Legislature of 1909, and the Governor approved of only \$100,000.

Your Committee earnestly urge upon the Legislature that sufficient moneys be appropriated at this session of the Legislature to at once complete these buildings and that this demand in its entirety be a preferred claim upon such part of the State revenue as should be devoted to charity. The appropriations at each session should be enough to carry on the work of each institution vigorously and continuously to the next session. Waste by deterioration and idle capital, to say nothing of the need of aid to the suffering, should not be permitted.

Secondary to these State institutions mentioned are local insane hospitals which receive State aid under the County Care Act, above mentioned. These deserve encouragement and it would be well to increase State aid to them and thus encourage further building, either by way of helping in erection or increasing the per capita cost of maintenance. The actual cost of maintenance is less than in State hospitals and the percentage of cures is greater as the patients have more out-door life and are more convenient to the visits of friends.

The weak-minded also need more State institutions than the three already mentioned. The institution at Spring City is intended for both weak-minded and epileptic. The Board of Public Charities has recommended, and your Committee endorses the recommendation, that this institution, which is nearing completion, be diverted solely to the care of the weak-minded and that provision be made elsewhere for the epileptic. Weak-minded persons who are scattered at large in great numbers (estimated at 18,000 in Pennsylvania) throughout the country are a menace to society and by themselves and their offspring recruit the largest part of the criminal and dependent classes.

The same conditions apply to the epileptic and an institution caring for 700 or 800 is now needed. In the insane hospitals, now overcrowded, are from 2,500 to 3,000 feeble-minded and epileptic people.

Tuberculous insane patients should be kept in a separate institution, and if the recommendation of the State Commissioner of Health be followed a hospital can be erected at Cresson upon ground already belonging to the State, in a particularly favorable locality.

Another need is the establishment of psychopathic wards attached to some of the large general hospitals in the cities where cases of neurasthenia, hysteria and other mental states not amounting to insanity, can be investigated and treated without the stigma attaching to residence in an insane asylum.

State institutions to take up the work of the local privately-maintained homes and refuges are also needed. There is no State institution for abandoned and neglected children or for wayward girls.

The cost of the principal additional State institutions needed is estimated as follows:

Hospital for the tuberculous insane, to be located at Cresson, \$240,000.

Two psychopathic wards to be attached, one to a hospital in the East and the other to a hospital in the West, \$80,000 each, or \$160,000.

Farm Colony for Epileptics (the Spring City Institution to be devoted solely to the Feeble Minded), \$600,000.

DEPARTMENT OF STATE CHARITABLE
INSTITUTIONS.

Part of the delay in the completion of State institutions may be traceable to the practice of creating a separate commission to build each institution. The object of this has been to commit such work to those most interested in the subject in the hope that the best results would be obtained, and whilst these commissions (of the present unfinished institutions) appear to have labored zealously, they have not been able to obtain the moneys to complete their several institutions. It appears to your Committee that if all of this work had been committed to the direction of one State Department, with power to appoint necessary architects, inspectors and employees, such Department representing the State directly would have secured the moneys needed and expedition in construction would have been obtained.

Your Committee therefore recommends that the commissions to erect the hospitals at Trevorton, Farview and Spring City, be abolished and their power transferred to a State Department, and that the Commission to erect the Homeopathic Insane Hospital near Allentown be given the sum necessary to complete immediately. The Allentown Hospital is so nearly completed that it can be finished by the present Commission before the Department could be organized. Acts to accomplish this are submitted herewith (see page 101).

The Board of Commissioners of Public Grounds and Buildings, as now constituted by the organization of the Governor, Auditor General and State Treasurer, *ex-officiis*, has not the time and facilities for such a large work, in addition to the many duties of its members in their individual offices. The institutions are placed all over the State. The work really requires the attention of specialists in addition to the architect in immediate charge of each branch.

Much the same considerations apply to the Board of Public Charities as now constituted. Its members are business men serving gratuitously, and while their service has been devoted, they are scattered over the State, and it is a physical impossibility to give sufficient attention as a Board to the work now in hand. The work of erecting new buildings is not possible to them.

The Legislature of 1905 passed a well-considered bill creating a Department of State Charitable Institutions, which was vetoed by the Governor on the ground that it covered the same ground as the Board of Public Charities, which, nevertheless, was not abolished.

A comparison of the bill with the duties of that Board, and of the Committee on Lunacy, which is part of it, discloses that a great deal is omitted. The whole subject of lunacy, and the visitation of correctional and reformatory institutions, both State and local, would have remained to the Board. Your Committee believes that the best interests of the State would be served by entrusting all these matters to such a Department, and discontinuing the Board of Public Charities. No thought of inefficiency or wilful neglect enters into this recommendation. It is the product of the growth of our institutions to a point where a volunteer Board has too much to do.

Accordingly the bill has been revised to include all the duties entrusted to the Board of Public Charities by the Act of 1869 (P. L. 90) and its supplements, and to the Committee on Lunacy by the Act of 1872 (P. L. 43), and its supplements, and the repeal of those Acts. The Committee on Lunacy, however, is to retain its membership of a lawyer and a physician with the addition of the Commissioners, and the aid of a Secretary. The administrative work will doubtless fall upon the official members, and at the same time the advice of the professional members will be available.

The Act revised as referred to, is submitted herewith (see page 105).

AN ACT TO ABOLISH THE COMMISSION CREATED BY AN ACT ENTITLED "AN ACT TO PROVIDE FOR THE SELECTION OF A SITE AND THE ERECTION OF A STATE HOSPITAL FOR THE TREATMENT AND CARE OF THE CRIMINAL INSANE, TO BE CALLED THE STATE HOSPITAL FOR THE CRIMINAL INSANE, AND MAKING AN APPROPRIATION THEREFOR," APPROVED MAY 11, 1905, AND TO PROVIDE FOR THE COMPLETION OF THE SAID HOSPITAL BY THE DEPARTMENT OF STATE CHARITABLE INSTITUTIONS, AND MAKING AN APPROPRIATION THEREFOR.

SECT. 1. Be it enacted, etc., That the Commission created by the provisions of an Act entitled "An Act to provide for the selection of a site and the erection of a State Hospital for the treatment and care of the Criminal Insane, to be called the State Hospital for the Criminal Insane, and making an appropriation therefor," approved May 11, 1905, to select a site and build an institution for the treatment and care of the criminal insane of the Commonwealth and certain other insane patients, be and the same is hereby abolished, to take effect one month after this Act goes into effect.

SECT. 2. The existing Commission shall within one month after this Act goes into effect, deliver to the Department of State Charitable Institutions all the records of its office and the tract or tracts of land and buildings in course of erection thereon, if any, selected for the said hospital. The said Department shall thereupon proceed to select such other suitable tract or tracts of land as may be necessary for the completion of said hospital and grounds; and said tract or tracts of land, so selected and the cost thereof, shall be approved in writing by the Governor before the purchase money shall be paid; and the deed or deeds for the same shall be taken in the name of the Commonwealth; but nothing herein contained shall prevent the said Department from receiving a deed to the Commonwealth, in fee, for any land donated for the purpose aforesaid. Said Department, subject to existing contracts of contractors and architects, shall proceed with the completion of the plan of said building or buildings, and shall prepare such other plan or plans as may be necessary for the completion of said hospital, and shall have power to employ and fix the compensation of an architect and a superintendent of construction and such other persons as it may think necessary to employ to secure the proper and economical construction of said building or buildings. The money heretofore appropriated for the purchase of suitable lands for a site for said hospital and for the con-

struction of the said hospital not heretofore expended and the money appropriated by this Act shall be expended under the direction of the said Department and shall be drawn from the Treasury as may be required for the erection and completion of said buildings and grounds on warrants signed by the Commissioner of State Charitable Institutions.

SECT. 3. Said Department of State Charitable Institutions, subject to existing contracts of contractors and architects, shall proceed to erect and complete said buildings as soon as possible compatible with the economical, substantial and skillful execution of the work.

SECT. 4. Said Department of State Charitable Institutions upon the completion of said hospital shall surrender its trust to "The Trustees of the State Hospital for the Criminal Insane."

SECT. 5. For the purpose of completing said hospital the sum of Six hundred thousand dollars is hereby appropriated annually for the years 1911 and 1912 to be drawn as herein before provided.

SECT. 6. All Acts or parts of Acts inconsistent herewith are hereby repealed.

AN ACT TO ABOLISH THE COMMISSION CREATED BY AN ACT ENTITLED "AN ACT TO PROVIDE FOR THE SELECTION OF A SITE AND THE ERECTION OF A STATE INSTITUTION FOR THE FEEBLE-MINDED AND EPILEPTIC, TO BE CALLED THE EASTERN PENNSYLVANIA STATE INSTITUTION FOR THE FEEBLE-MINDED AND EPILEPTIC, AND MAKING AN APPROPRIATION THEREFOR," APPROVED MAY 15, 1903, AND TO PROVIDE FOR THE COMPLETION OF SAID INSTITUTION BY THE DEPARTMENT OF STATE CHARITABLE INSTITUTIONS, AND MAKING AN APPROPRIATION THEREFOR."

SECT. 1. Be it enacted, etc., That the Commission created by the provisions of an Act entitled "An Act to provide for the selection of a site and the erection of a State Institution for the Feeble-Minded and Epileptic, to be called The Eastern Pennsylvania State Institution for the Feeble-Minded and Epileptic, and making an appropriation therefor," approved May 15, 1903, to select a site and build an institution for the care and maintenance of epileptics and idiotic and feeble-minded persons of Eastern Pennsylvania, be and the same is hereby abolished, to take effect one month after this Act goes into effect.

SECT. 2. The existing Commission shall within one month after this Act goes into effect deliver to the Department of State

Charitable Institutions all the records of its office and the tract or tracts of land and buildings in course of erection thereon, if any, selected for the said institution. The said Department shall thereupon proceed to select other suitable tract or tracts of land as may be necessary for the completion of said institution and grounds; and said tract or tracts of land, so selected, and the cost thereof, shall be approved in writing by the Governor before the purchase money shall be paid, and the deed or deeds for the same shall be taken in the name of the Commonwealth; but nothing herein contained shall prevent the Commonwealth; but nothing herein contained shall prevent said Department from receiving a deed to the Commonwealth in fee, for any land donated for the purpose aforesaid. Said Department of State Charitable Institutions subject to existing contracts of contractors and architects, shall proceed with the completion of the plan of said building or buildings, and shall prepare such other plan or plans as may be necessary for the completion of said institution, and shall have power to employ and fix the compensation of the superintendent of construction and such other persons as it may think necessary to employ to secure the proper and economical construction of said building or buildings. The money heretofore appropriated for the purchase of suitable land for a site for said institution and for the construction of the said institution not heretofore expended and the money appropriated by this Act, shall be expended under the direction of the said Department of State Charitable Institutions and shall be drawn from the Treasury as may be required for the erection and completion of said buildings and grounds on warrants signed by the Commissioner of State Charitable Institutions.

SECT. 3. Said Department of State Charitable Institutions shall proceed to erect said buildings and complete the same as soon as possible compatible with the economical, substantial and skillful execution of the work with such funds as may be appropriated, from time to time, by the Legislature.

SECT. 4. Said Department of State Charitable Institutions upon the completion of the said institution shall surrender its trust to "The Trustees of the State Institution for Feeble-Minded of Eastern Pennsylvania."

SECT. 5. For the purpose of completing said institution the sum of Seven hundred and fifty thousand dollars (\$750,000) is hereby appropriated annually for the years 1911 and 1912, to be drawn as hereinbefore provided.

SECT. 6. All Acts or parts of Acts inconsistent herewith are hereby repealed.

AN ACT TO ABOLISH THE OFFICE OF COMMISSIONERS CREATED BY AN ACT ENTITLED "AN ACT TO PROVIDE FOR THE SELECTION OF A SITE AND THE ERECTION OF A STATE HOSPITAL FOR INJURED PERSONS, TO BE LOCATED AT OR NEAR SHAMOKIN, IN THE COUNTY OF NORTHUMBERLAND, TO BE CALLED A STATE HOSPITAL FOR INJURED PERSONS OF THE TREVERTON, SHAMOKIN AND MOUNT CARMEL COAL FIELDS, AND FOR THE MANAGEMENT OF THE SAME, AND MAKING AN APPROPRIATION THEREFOR," APPROVED JUNE 13, 1907, AND TO PROVIDE FOR THE COMPLETION OF THE SAID HOSPITAL BY THE DEPARTMENT OF STATE CHARITABLE INSTITUTIONS, AND MAKING AN APPROPRIATION THEREFOR.

SECT. 1. Be it enacted, etc., That the office of Commissioners created by an Act entitled "An Act to provide for the selection of a site and the erection of a State Hospital for injured persons, to be located at or near Shamokin, in the county of Northumberland, to be called a State Hospital for Injured Persons of the Treverton, Shamokin and Mount Carmel Coal Fields, and for the management of the same, and making an appropriation therefor," approved June 13, 1907, to select a site and build a hospital for injured persons to be located at or near Shamokin, in the county of Northumberland, be, and the same is hereby abolished, to take effect one month after this Act goes into effect.

SECT. 2. The existing Commissioners shall within one month after this Act goes into effect deliver to the Department of State Charitable Institutions all the records of their office and the tract or tracts of land and buildings in the course of erection thereon, if any, selected for the said hospital. The said Department shall thereupon proceed to select such other tract or tracts of land at or near Shamokin in Northumberland county as may be necessary for the completion of the said hospital and grounds, which shall be approved by the Governor in writing, and the deeds for the same shall be taken in the name of the Commonwealth in fee. Said Department, subject to existing contracts of contractors and architects, shall proceed with the completion of the plan of said building or buildings, and shall have power to employ and fix the compensation of the superintendent of construction of said buildings and such other persons as they may think necessary to employ to secure the proper and economical construction of said building or buildings. The money heretofore appropriated for the construction of the said hospital not heretofore expended and the money appropriated by this Act shall be expended under the

direction of the said Department and shall be drawn from the Treasury as may be required for the erection of said buildings on warrants signed by the Commissioner of State Charitable Institutions.

SECT. 3. Said Department of State Charitable Institutions shall proceed to erect and complete said buildings as soon as possible compatible with the economical, substantial and skillful execution of the work.

SECT. 4. Said Department of State Charitable Institutions upon the completion of said hospital shall surrender their trust to "The Trustees of the State Hospital of the Treverton, Shamokin and Mount Carmel Coal Fields of Pennsylvania."

SECT. 5. For the purpose of completing said hospital the sum of seventy-five thousand dollars (\$75,000) is hereby appropriated annually for the years 1911 and 1912 to be drawn as hereinbefore provided.

SECT. 6. All Acts or parts of Acts inconsistent herewith are hereby repealed.

AN ACT CREATING A DEPARTMENT OF STATE CHARITABLE INSTITUTIONS AND A COMMITTEE ON LUNACY, SUBJECT TO THE DEPARTMENT, DEFINING THE DUTIES OF EACH WITH RESPECT TO STATE INSTITUTIONS AND CHARITABLE, REFORMATORY AND CORRECTIONAL INSTITUTIONS, JAILS, PRISONS, ALMS, POOR AND WORK HOUSES, AND THE TREATMENT AND DETENTION OF THE INSANE, AND MAKING AN APPROPRIATION THEREFOR; REGULATING THE TREATMENT AND DETENTION OF THE INSANE; AND ABOLISHING THE BOARD OF PUBLIC CHARITIES AND THE PRESENT COMMITTEE ON LUNACY.

SECTION 1. Be it enacted, etc., That there is hereby established a separate and distinct Department, to be known as the Department of State Charitable Institutions, the Commissioner of which said Department shall have charge of the erection of all new State institutions, and supervision of all charitable institutions, entirely or partly supported and maintained by State appropriations, as to their affairs of all kinds, and of reformatory and correctional institutions, hospitals and houses in which the insane are placed for treatment or detention, city and county jails or prisons, and alms, poor and work houses.

SECTION 2. The chief officer of the Department of State Charitable Institutions shall be denominated the Commissioner of State Charitable Institutions. He shall be appointed by the Governor, by and with the advice and consent of the Senate, and shall hold

his office for four years, and until his successor shall be duly qualified, and he shall receive an annual salary of six thousand dollars (\$6,000), payable quarterly by a warrant drawn by the Auditor General upon the State Treasurer. He shall appoint one deputy, who shall perform the duties attached by law to the office of Commissioner of State Charitable Institutions, during the absence or inability of the Commissioner, and such other duties as may be assigned him, whose salary shall be twenty-five hundred dollars (\$2,500) per annum, payable in the same manner as that of the Commissioner, and shall give to the Commonwealth a bond in the penalty of ten thousand dollars (\$10,000), with one or more sureties to be approved by the Governor, conditioned for the proper and faithful performance of his duties. The Commissioner shall also appoint three clerks, one of whom shall be a trained stenographer, at an annual salary of fourteen hundred dollars (\$1,400) each, who shall discharge such duties as he shall assign them, and whose salary shall be paid monthly, by warrant drawn by the Auditor General upon the State Treasurer. He shall also appoint one messenger, who shall receive a salary of nine hundred dollars (\$900.00) per annum, to be paid in the same manner as the salaries of the clerks. The Commissioner of State Charitable Institutions may also, from time to time, appoint examiners, in such number as may be necessary for the proper conduct of the business of the Department, not to exceed six in number, who shall receive, when actually employed in making examinations of the affairs of the various institutions of the State, under the order of the said Commissioner, not to exceed eight dollars (\$8.00) per day, and also actual expenses incurred in making such examinations; which compensations and expenses shall be paid by warrant drawn by the Auditor General upon the State Treasurer. Within fifteen days from the time of the notice of their appointment, the Commissioner and his deputy shall take and subscribe the oath of office prescribed by the Constitution, and file the same in the office of the Secretary of the Commonwealth; and the Commissioner shall also give to the Commonwealth a bond in the penalty of twenty thousand dollars (\$20,000), with two or more sureties to be approved by the Governor, and conditioned for the faithful performance of his duties.

SECTION 3. The Department shall be provided, by the proper authorities, with suitably furnished offices at the State Capitol.

SECTION 4. It shall be the duty of the said Commissioner of State Charitable Institutions to visit each of the said charitable,

reformatory or correctional institutions within the State, receiving State aid, and each of the city and county jails and prisons, and alms, poor and work houses, at least twice in every calendar year, and to examine into the condition of all buildings, grounds and other property connected with such institutions and of all matters relating to its management, financial or otherwise; and for such purpose he shall have free access to the grounds and buildings, all books, papers, property and supplies, of any such institution; and all persons connected with any such institution shall give such information and afford such facilities for such examination and inquiry as the Commissioner may require. The Examiners appointed by him shall have the same powers of investigation and right of access in all of the said institutions under the control of the Department. The Commissioner and Deputy Commissioner of the said Department and the Exminers appointed by its Commissioner, are each hereby authorized to administer oaths in examining any person or persons relative to any matters connected with the inquiries authorized by this Act.

SECTION 5. The said Commissioner of the Department of State Charitable Institutions shall prepare a series of inquiries, with necessary accompanying blanks, to the several institutions of charity, reformation and correction, in the State, and to those having charge of the poor in the several counties thereof, and any sub-division of the same, with a view to illustrate in his annual report the causes and best treatment or pauperism, crime, disease and insanity; he shall also return and publish in his said report all desirable information concerning industrial and material interests of the Commonwealth bearing on this subject.

SECTION 6. It shall be the duty of all persons having charge or oversight over the poor in any city or county of this State, or in any sub-division thereof, and all persons having charge or control of county jails or prisons or work houses, and of all other persons having charge or control over any other charitable, reformatory or correctional institutions not now by law required to make an annual report of the condition of the same, to make report, annually, to the said Commissioner of the Department of State Charitable Institutions at such time and in such manner as he shall prescribe, of such facts and statements concerning the same as he may require, and all charitable, reformatory and correctional institutions now required by law to make annual reports, shall hereafter make and transmit the same to the said Commissioner on or before the first day of December in each year.

SECTION 7. The statements required to be made by the inspectors, sheriffs or other person having charge of any penitentiary or jail within this State, under the provisions of the first section of the Act approved the twenty-seventh day of February, one thousand eight hundred and forty-seven, entitled "An Act requiring inspectors of prisons, sheriffs, prothonotaries, and clerks of criminal courts and others to make annual returns to the Secretary of the Commonwealth, and for other purposes" shall hereafter be made to the Department of State Charitable Institutions; and it shall be the duty of the inspectors, sheriffs and other persons having charge of any penitentiary or jail within this Commonwealth to keep the records of the penitentiary or jail in their charge after forms to be prepared for and furnished them by the said Department of State Charitable Institutions so that the information and statistics intended to be obtained under the first section of the Act of the twenty-seventh day of February, one thousand eight hundred and forty-seven, and such other information and statistics as the said Department of State Charitable Institutions may deem necessary, may be presented with accuracy and uniformity.

SECTION 8. It shall be the duty of the said inspectors, sheriffs and other persons to make return of the statements required by the seventh section of this Act to the said Department of State Charitable Institutions within ten days after the first days of January, April, July and October in each year if required by said Department, for each of which statements the officer making the same shall receive the sum of ten dollars, to be paid out of the county funds of the county for which said statement shall be made, and upon the neglect or refusal to make such statements in the manner and at the times required by this Act, such inspector, sheriff or other person so neglecting or refusing, shall forfeit and pay a fine of not more than \$100.00 to be sued for and collected by the Commissioner in the name of the Department of State Charitable Institutions for the use of the Commonwealth.

SECTION 9. It shall be the duty of the Overseers and Directors of the Poor, or other persons having charge of the poor in the several counties, cities, boroughs and townships of this Commonwealth, and of all directors and managers of charitable and correctional institutions of the Commonwealth receiving State aid, to keep their records after the manner and in the form to be prescribed by the Department of State Charitable Institutions, and to make returns thereof to said Department at such times as they may direct; and in default thereof, the

person or persons so offending shall forfeit and pay a fine of not less than one hundred dollars, to be sued for and collected by the Commissioner, in the name of the Department of State Charitable Institutions, for the use of the Commonwealth.

SECTION 10. That before any county prison or county almshouse shall be erected within this Commonwealth, the plan of construction of such prison or almshouse, drawn sufficiently in detail for clear comprehension thereof, shall be submitted by the Commissioners of the county in which the same is to be built, to the Department of State Charitable Institutions, and shall be inspected and approved by said Department, and so certified by the Commissioner of said Department upon the plan, a copy of which shall be furnished by the Commissioners at the time of their submitting the original as aforesaid, and shall be signed by the Commissioner of the said Department, and shall be filed and remain in the office of the Secretary of the Commonwealth; and that so much of the first section of the Act of April eighth, one thousand eight hundred and fifty-one, as requires the report of plans of county prisons to be made to and approved by the Secretary of the Commonwealth, be and the same is hereby repealed.

SECTION 11. It shall also be the duty of the Commissioner to make a biennial report to the Legislature of all matters connected with his Department and said institutions and the financial management thereof as he may deem necessary, covering the two years ending November thirtieth preceding. He shall make like special reports to the Legislature when requested by either House or any Committee thereof, and like reports to the Governor on the first days of January and July in each year with such suggestions as he deems proper.

SECTION 12. All charitable institutions not wholly managed and maintained by the State desiring to receive State aid for construction, improvement or maintenance shall before the first day of October of each year immediately preceding the biennial session of the Legislature inform the said Commissioner in writing of the sum asked to be appropriated therefor and the purposes for which required; together with such minutely detailed information under oath as he may require to determine the cost of free hospital, dispensary and all other kinds of service therein and the amount thereof during the two years then next preceding; provided that such information already furnished may be taken in whole or in part as the information now required. Upon the receipt thereof the Commissioner, after such investigation and consultation with

the managers of such institutions as he may deem necessary, shall determine and advise the Legislature in his report of the said cost and the amount thereof according to the different kinds of service, and this shall form the basis of the appropriation to such institution for maintenance by the Legislature for the two following years.

SECTION 13. The Department of State Charitable Institutions shall have supervision over all houses or places in which any person of unsound mind is detained, whenever the occupant of the house or person having charge of the lunatic receives any compensation for the custody, control or attendance, other than as an attendant or nurse, and also of all houses or places in which more than one such person is detained with or without compensation paid for custody or attendance.

SECTION 14. The Commissioner of the Department of State Charitable Institutions, a member of the bar of at least ten years' standing and a practicing physician of at least ten years' standing shall act as a Committee on Lunacy, which Committee shall at all times be subject to the authority and control of the Department of State Charitable Institutions. The two professional members shall be appointed by the Governor and confirmed by the Senate after the passage of this Act for a term of five years or upon any vacancies occurring by death or resignation for the unexpired term of such appointment, or on expiration of the term of service, and the Governor upon sufficient cause may in his discretion remove any member from the office. The Committee shall choose a Chairman from their number and a person to serve as Secretary for the current year and annually thereafter in November. Two members shall constitute a quorum of the Committee. The Secretary shall receive an annual salary of three thousand dollars, with necessary incidental expenses, to be accompanied with proper vouchers payable quarterly by the State Treasurer, and he may be removed at the pleasure of the Committee.

SECTION 15. The report of the said Committee on Lunacy shall be published annually with that of the Department of State Charitable Institutions.

SECTION 16. The Department shall have power, from time to time, with the consent of the Chief Justice of the Supreme Court and of the Attorney General, to ordain rules and regulations on the following matters, so far as the same are not inconsistent with any laws of this Commonwealth then in force, and of any provisions of this Act:

(1). The licensing of all houses or places in which any person can be lawfully detained as a lunatic, or of unsound mind, upon compensation paid to or received by the owner or occupant of such house or place, directly or indirectly, for the care of such lunatic, and also of all houses or places in which more than one person of unsound mind is detained, or resides: Provided, That this clause shall not extend to any jail or prison: And provided also, That the Department, with consent as aforesaid, may, from time to time, exempt any particular hospital established by the State, or under any municipal authority, or any eleemosynary institution from the obligation to apply for or obtain a license, and no such institution now existing shall be required to take out a license until required to do so by the Department, with the consent aforesaid.

(2). Regulations to insure the proper treatment of persons detained in any house or place, whether licensed or not, that are subject to the provisions of this Act, and to guard against improper or unnecessary detention of such persons.

(3). Regulations of the forms to be observed warranting the commitment, transfer of custody, and discharge of all lunatics, other than those committed by order of a Court of Record, and as to these with the consent of the Presiding Judge of the Court under whose order the person is detained.

(4). The visitation of all houses or places licensed under this Act, or in which any persons are detained as lunatics, and of all persons detained therein.

(5). The withdrawal of such licenses, and the imposition of conditions under which they shall continue.

(6). Reports and information to be furnished by the manager or managers of all houses or places for the detention or treatment of the insane which are subject to the provisions of this Act, and by Boards of Visitors.

(7). Regulations as to the number of persons that may be detained, and the accommodations to be provided, and food, clothing, fuel to be furnished, in any house or building, subject to the provisions of this Act, the manner of such detention, and the restraints imposed, the means of communication by those detained, with relatives, friends and other persons outside the houses and places of detention.

SECTION 17. There shall be appointed Boards of Visitors of all houses or places, licensed under this Act, or in which any person of unsound mind is detained and for the care and custody of whom compensation of any kind is received or where more than one such person is detained. One such Board shall be

appointed in every county in which there is a house or place, subject to the provisions of this Act, of not less than three persons, and in each county where there are more than one such house or place, the number constituting the Board of Visitors of such county shall be increased in the discretion of the Committee on Lunacy.

SECTION 18. The members of the Board of Visitors shall be appointed by the Department of State Charitable Institutions in each year, and shall continue until their successors are appointed, and the Department may remove the visitors, and fill vacancies in the office.

SECTION 19. Women may be appointed members of the Boards of Visitors, and at least once a year these Boards shall be filled so that members who have failed to act shall be removed.

SECTION 20. It shall not be lawful for any person or persons or corporations, not exempted from the obligation to obtain a license under this Act, to keep or maintain a house or place for the reception or custody of persons of unsound mind, without having received a license under this Act; nor when such license has expired or been withdrawn or suspended, and the manager and occupant of any such house, within which more than one person shall be detained, as being a person of unsound mind, for compensation received, and the manager and occupant of any such house or place wherein more than one person is received and detained, with or without compensation, and while there is no license in force authorizing the keeping of such a house or place, shall be deemed guilty of a misdemeanor.

SECTION 21. Any person having charge or control of any house or place subject to the provisions of this Act, used for the detention, care or custody of a lunatic, who shall violate or omit to observe any regulation of the Committee on Lunacy, authorized by this Act, after a copy of the same has been left at the said house or place or delivered to the person named in the license, or to the manager of such house, shall be deemed guilty of a misdemeanor; and all common law rights of action or indictments are also reserved.

SECTION 22. The Department of State Charitable Institutions shall, from time to time, provide for an effectual visitation of all persons confined as insane in all places over which they are given jurisdiction by this Act, and an inspection of such houses or places of confinement, and of the mode of treatment of the insane.

SECTION 23. And the Department shall make rules to insure to the patients the admission of all proper visitors, being members of their family, or personal friends, agents or attorneys, and compel obedience to such regulations.

SECTION 24. The detention of any person as insane in any house or place, made subject to the provisions of this Act, without compliance with the requisitions of this Act, shall be a misdemeanor on the part of any person concerned in such detention, who has omitted or permitted the omission of any of the requirements, and the party aggrieved shall also be entitled to his action for damages.

SECTION 25. No verdict or judgment shall be entered in any action, nor shall any judgment be entered on any indictment for such detention, as against any person or persons who are subject to the regulations and provisions of this Act, who shall have complied with the requirements of this Act; unless the Judge, after trial and verdict, shall certify that there was proof, to his satisfaction, that the party charged acted with gross negligence or corruptly, or that he acted without reasonable or probable cause, or was actuated by motives other than the good of the person restrained.

SECTION 26. In all buildings or establishments where an insane person is detained, which are subject to the provisions of this Act, there shall be kept the following books, which shall be at all times open to the inspection of any member of the Committee on Lunacy, or the Board of Visitors of the proper county:

An admission book.

A discharge book.

A case book in which there shall be regularly entered all the facts, bearing on each patient and his case.

A medical journal in which there shall be, at least once a week, a statement written of all matters which are of special importance, bearing on the treatment and condition of the patients.

SECTION 27. No person shall be received as a patient for treatment or for detention into any house or place, where more than one insane person is detained, or into any house or place where one or more insane persons are detained for compensation, without a certificate signed by, at least, two physicians, resident in this Commonwealth, who have been actually in the practice of medicine for at least five years, both of whom shall certify that they have examined sepa-

rately the person alleged to be insane, and after such examination had, do verily believe that the person is insane, and that the disease is of a character, which, in their opinion, requires that the person should be placed in a hospital or other establishment where the insane are detained for care and treatment, and that they are not related by blood or marriage to the person alleged to be insane, nor in any way connected as a medical attendant, or otherwise, with the hospital or other establishment, in which it is proposed to place such person.

SECTION 28. The certificate above provided for shall have been made within one week of the examination of the patient, and within two weeks of the time of the admission of the patient, and shall be duly sworn to or affirmed before anyone authorized to administer oaths by the laws of this Commonwealth, who shall certify to the genuineness of the signatures, and to the standing and good repute of the signers. And any person falsely certifying as aforesaid shall be guilty of a misdemeanor, and also liable civilly to the party aggrieved.

SECTION 29. No person alleged to be insane shall be received into any house for treatment or for detention, unless at the time of such reception the person or persons, at whose instance the person is received, shall, by a writing signed, state that the person has been removed, and is to be detained at his or her request, under the belief that such detention is necessary and for the benefit of the insane person.

SECTION 30. There shall also be delivered to the person or persons having the supervision or charge of house, a written statement of the following facts relative to the person to be detained, signed by the person or persons at whose instance the insane person has been removed and detained, or if the facts be not known it shall be so stated.

- (1). The name.
- (2). Age.
- (3). Residence for the past year, or for so much thereof as is known.
- (4). Occupation, trade or employment.
- (5). Parents, if living.
- (6). Husband or wife.
- (7). Children.
- (8). Brothers and sisters, and the residence of each of these persons.
- (9). If not more than one of these classes is known, the names and residences of such of the next degree of relatives, as are known.

(10). A statement of the time at which the insanity has been supposed to exist, and the circumstances that induce the belief that insanity exists.

(11). Name and address of all medical attendants of the patient during the last two years.

SECTION 31. Should the person in charge of the house have reason to believe that any of these statements have been omitted through ignorance, and that the answers will be immediately furnished, and no reason existing to doubt the good faith of the parties, after inquiring of the person intended to be detained, it shall be lawful to detain the person alleged to be insane for such further period as shall be necessary to obtain the said statements complete, but not exceeding seven days.

SECTION 32. Within twenty-four hours after any person is received into any house for detention as an insane person, the person in charge there shall enter or have entered in a book kept for that purpose all the facts stated in the certificate or documents required to be exhibited at the time of receiving the patient, and shall file the originals and preserve them. The regular medical attendant of the house shall, within twenty-four hours after the reception of any patient, examine such patient and reduce to writing the results of such examination, and enter the same upon a book to be kept for that purpose, together with the opinion formed from such examination, and from the documents received with the patient.

SECTION 33. In case the said medical attendant is of the opinion that a detention is not necessary for the benefit of the patient, he shall notify the person or persons at whose instance the patient is detained, and unless such person shall, without a delay not exceeding seven days, exhibit satisfactory proof of such necessity, the patient shall be discharged from the house and restored to his family or friends.

SECTION 34. At the time of such examination, the medical attendant shall himself cause the patient distinctly to understand, if he or she is capable of doing so, that if he or she desires to see or otherwise communicate with any person or persons, means will be provided for such interview or communication, and said attendant shall personally see that proper means are taken to communicate this fact to the person or persons indicated by the patient, and any proper person or persons, not exceeding two, shall be permitted to have a full and unrestrained interview with the patient.

SECTION 35. The statements furnished at the time of the reception of the patient (and of the examination of the patient

by the medical attendant of the house) shall be forwarded by mail to the address of the Committee on Lunacy, within seven days from the time of the reception of the patient, which shall by them be entered in a book which they shall keep for this purpose, and at least once in six months there shall be a report made by the medical attendant of the house, on the condition of each patient, together with such other matters relative to the case, as the said Committee may require; and at any time such report shall be made upon the request of the Secretary of the Committee on Lunacy.

SECTION 36. During the detention of any person as insane, any medical practitioner designated by him, or by any member of his family, or "near friend," with the sanction of a Judge of a Court of Record of the county in which such insane person resided at the time of his removal and detention, shall be permitted, at all reasonable hours, to visit and examine the patient; and such medical attendant shall, unless objected to by the patient, be permitted by request of his or her family, or "near friend," and with the consent of the physician in chief of the establishment, to attend the patient for all maladies other than insanity, in the same manner as if the patient were in his own home.

SECTION 37. All persons detained as insane shall be furnished with materials and reasonable opportunity, in the discretion of the superintendent or manager, for communicating, under seal, with any person without the building, and such communication shall be stamped and mailed. They shall have the unrestricted privilege of addressing communications, if they so desire, not oftener than once a month, to any member of the Committee on Lunacy.

SECTION 38. The provisions of this Act in respect of the admission or discharge of patients, shall not extend to insane criminals in custody. Such persons shall not be received except when delivered by a sheriff of the county or his deputy, together with an order of the Court of the county in which he was arrested or convicted, having jurisdiction of the offense, under the seal of the Court and signed by a law Judge. Nor shall such criminals be discharged from a hospital or other place of detention for the insane, saving on a like order, and to the sheriff or his deputy producing such an order, and while detained as an insane person, such criminal shall be so kept as to insure his detention until duly discharged. Whenever any person detained in any gaol or prison is insane, or in such a condition as to require treatment in a hospital for the insane,

it shall be the duty of any law Judge of the Court, under whose order the person is detained, upon application, to direct an inquiry into the circumstances, either by a commission, or otherwise, as he shall deem proper, with notice to the Committee on Lunacy; and if the Judge shall be satisfied that the person confined requires treatment in a hospital, he shall thereupon direct the removal of the said person from the gaol or prison to a State hospital, which order shall be executed by the sheriff of the county or his deputy, and the actual expenses of such removal, and the expenses of maintaining the person in the hospital, shall be paid by the county liable for the maintenance of the said person in the gaol or prison from which he is removed.

SECTION 39. The trustees, managers and physician of any hospital, in which a criminal is confined by order of any Court, or in which a lunatic has been committed after an acquittal of crime, shall not discharge, release or remove the prisoner or lunatic without the order of a Court of competent jurisdiction; and in case such lunatic, whether a convict or acquitted, is not set at large but is to be removed to any place of custody other than a hospital, the order for removal shall not be made without notice to the Committee on Lunacy, and time given them to investigate the case, and be heard on the application.

SECTION 40. All persons that have been detained as insane (other than criminal insane, duly convicted and sentenced by a Court) shall, as soon as they are restored to reason and are competent to act for themselves, in the opinion of the medical attendant of the house, be forthwith discharged; and any person so detained shall, at all times, be entitled to a writ of habeas corpus for the determination of this question, and on the hearing the respondent in that writ shall be required to pay the costs and charges of the proceedings unless the Judge shall certify that there was sufficient ground, in his opinion, to warrant the detention, and put the petitioner to his writ; in case the discharged patient be in indigent circumstances, such person shall be furnished with necessary raiment, and with funds sufficient for sustenance and travel to his home, to be charged to the county from which such patient was committed.

SECTION 41. The Committee on Lunacy shall be notified of all discharges within seven days thereafter, and a record of the same shall be kept by the Committee.

SECTION 42. The Committee on Lunacy may, at any time, order and compel the discharge of any person detained as in-

sane (other than a person committed after trial and conviction for crime, or by order of Court). But such order shall not be made, unless notice be given to the person having charge of the building in which the patient is detained, and to the person or persons at whose instance the patient is detained, and reasonable opportunity given them to justify a further detention, and the Committee shall not sign an order of discharge, unless they have personally attended and examined the case of the patient.

SECTION 43. Persons voluntarily placing themselves in any of the houses provided for in this Act, and who may be suffering from nervous diseases threatening mental disorder, may be received for a period of one month or less, by an agreement, which shall also specify the time, signed by them at the time of admission, and they may renew said agreement at the end of one month, but no agreement shall be deemed to authorize their remaining, unless signed in the presence of some adult persons attending as a friend of the person applying in the presence of and also by the medical attendant.

SECTION 44. So much of the Act, entitled "An Act to provide for the admission of certain classes of the insane into hospitals for the insane, in this Commonwealth and their discharge therefrom," approved the twentieth day of April, Anno Domini one thousand eight hundred and sixty-nine, number fifty-four, of the pamphlet laws of that year, as provides, "that insane persons may be placed in a hospital for the insane by their legal guardians, or by their relatives or friends in case they have no guardians, but never without the certificate of two or more reputable physicians, after a personal examination made within one week of the date thereof, and this certificate to be duly acknowledged and sworn to or affirmed before some magistrate or judicial officer who shall certify to the genuineness of the signature, and to the respectability of the signed," is amended, and the persons thereby authorized to place an insane person in a hospital, are required to observe the forms and conditions, required by this Act, in exercising the powers conferred by the said Act of the twentieth day of April, Anno Domini one thousand eight hundred and sixty-nine, when the insane person is placed in any house, hospital or place, which is subject to the provisions of this Act.

SECTION 45. So much of said Act, as provides by section second "that it shall be unlawful, and be deemed a misdemeanor in law punishable by fine of not exceeding one hundred

dollars, for any superintendent, officer, physician, or other employe of any insane asylum, to intercept, delay or interfere with, in any manner whatsoever, the transmission of any letter or other written communication, addressed to an inmate of any insane asylum to his or her counsel, residing in the county in which the home of the patient is, or in the city or county in which the asylum is located," is hereby amended so that the same shall extend to the superintendents, officers, physicians, servants or other employees of all hospitals, houses or places for the treatment or detention of the insane which are subject to the provisions of this Act.

SECTION 46. So much of the said Act as provides by section ten, "If the superintendent or officer of any hospital for the insane, shall receive any person into the hospital after full compliance with the provisions of this Act, no responsibility shall be incurred by them for any detention in the hospital," as applies to the superintendent or officers of any hospital house or place made subject to the provisions of this Act, is repealed and in place of the provisions of that Act, for the protection of such superintendents or officers, the provisions of this Act for that purpose are substituted.

SECTION 47. The managers and officers of any hospital or licensed house or place, shall not be liable to the penalties imposed by this Act, and shall be entitled to all the protection of this Act, in case of receiving for detention a lunatic, or alleged lunatic, without complying with the requisitions of the Act, if the judge trying the cause shall certify that the said officers and managers had good reason to believe that such receiving and detention were necessary for the safety of the lunatic, or other persons, and, that the delay required to comply with the requirements of this Act would have been injurious to the person detained or to other persons, and that there is no reason to believe that they, or any of them, were actuated by improper motives. And within forty-eight hours after any person is thus received, all the requisitions of this Act to authorize a detention shall have been complied with, or the person discharged from custody, and the officers of the hospital, or place where such lunatic has been thus received, shall forthwith notify the Department of State Charitable Institutions of the facts connected with the reception and detention.

SECTION 48. Whenever any person shall be found by inquisition returned, shall thereupon forthwith send to the Committee on to be insane, the committee of the person or of the estate, and also the clerk of the court into which the inquisition has been

Lunacy at their principal office, a statement in writing, signed by the committee of the lunatic, of the name, age, sex, and residence of the lunatic, and the residence of the committee, and upon any change in the residence or place of detention of the lunatic, shall forthwith notify the Committee on Lunacy of such change. The Committee on Lunacy, or any one or more of the members of the committee, shall have power to visit and examine the said lunatic, and authorize such visiting and examination by their secretary, or any board of visitors, or one or more members thereof, and by a physician, and the said committee are authorized to apply to any court, having jurisdiction over the committee, or to a Judge of a Court of Common Pleas, of the county in which the lunatic is a resident or detained, to make such orders for the maintenance, custody or care of the said lunatic, and for the care and disposition of the property of a lunatic, as the case may require. From any order final or otherwise, thus made, an appeal may be taken to the Supreme Court, but such appeal shall not be a supersedeas, unless so ordered by the Court making the order, or by a Judge of the Supreme Court, on application and a hearing.

SECTION 49. The Committee on Lunacy are hereby authorized and empowered to transfer any such indigent insane persons in county poor houses or almshouses or otherwise in the custody of the directors or overseers of the poor, to the State hospitals for the insane for care and treatment, and at its discretion to transfer any such indigent insane persons from the State hospitals or asylums to the poorhouses, almshouses or prisons of the several counties chargeable for their maintenance, or upon being satisfied that any of the State hospitals for the insane are overcrowded, to transfer patients or inmates from one State hospital for the insane to another. The costs of such transfer shall be paid out of the general appropriation for the care of the insane, and upon certificate of the Committee on Lunacy that such transfer has been made, and of its cost. The municipalities or persons liable to the institutions to which the commitment was made shall, after this transfer, be liable to the hospital for the insane to which such transfer shall be made.

SECTION 50. The expense of the care and treatment of the indigent insane, in the State hospitals for the insane, is hereby fixed at the uniform rate of one dollar and seventy-five cents per week for each person, including clothing, chargeable to the respective counties or poor districts from which such insane shall come; and the excess over said one dollar and seventy-

five cents shall be paid by the State, but in no case shall said excess exceed two dollars and fifty cents per week for each indigent insane person.

SECTION 51. Poor districts in this Commonwealth, which have supplied or may hereafter supply a hospital for the care and treatment of the indigent insane according to plans and specifications approved by the Department of State Charitable Institutions, which said insane hospital shall be provided with all the modern appliances for the treatment of the insane, with a medical superintendent of experience in the treatment of mental diseases and who shall be in actual practice for at least five years, in which the said insane are attended by trained and skilled nurses and in every way receive the same care and attention as they would receive in any State hospital for the insane, shall hereafter be entitled to the same allowance for the care and treatment for the indigent insane as is herein given to State hospitals for the insane.

SECTION 52. Any county, municipality, borough, or township of this Commonwealth, which now has, or may hereafter supply, erect and equip, a suitable institution for the maintenance, care and treatment of its indigent insane, upon plans and specifications approved in writing by the Department of State Charitable Institutions shall receive from the State Treasurer the sum of two (2) dollars per week for every indigent insane person of such county, municipality, borough or township, so maintained, who has been legally adjudged to be insane and committed to such institution, or who may be transferred from a State hospital for the insane to such local institution: Provided, That the Department of State Charitable Institutions shall be satisfied that the quality and equipment of such institution and the manner of care and treatment therein furnished is proper and suitable to the class or classes of the indigent insane so maintained, and shall so certify to the Auditor General before any such payment shall be made.

SECTION 53. The Superintendent and Trustees of each of the State charitable, reformatory or correctional institutions, entirely or partially supported by State aid, shall, on or before the fifteenth day of May, August, November and February, if so directed by the Commissioner, cause to be prepared estimates, in triplicate, giving in minute detail all the expenses required for the institution for the ensuing three months, to be paid for out of moneys appropriated by the State; two of such triplicate estimates shall be sent to the Commis-

sioner, and the other retained on file in the office of the institution. The Commissioner may cause such estimates to be revised, either as to quantity or quality of supplies, and the estimated cost thereof, and shall certify that he has carefully examined the same, and that the articles contained in such estimate, so approved or revised by him, are actually required for the use of the institution; and shall, thereupon, present such estimate and certificate to the Auditor General. Whereupon the Auditor General shall authorize the Board of Managers or Trustees or other managing officers of such institutions to make drafts on him, as the money may be required for the purposes mentioned in such estimates, and such drafts shall be paid, on the warrant of the Auditor General, out of the funds in the State Treasury appropriated for the support of such institutions. In every such estimate there shall be a sum named, not to exceed 5 per centum of the amount drawn from the State during the preceding quarter, as a contingent fund, for which no minute detailed statement need be made. No expenditures shall be made from such contingent fund except in case of actual emergency, requiring immediate action, and which cannot be averted without loss or danger to the institution or the inmates thereof. The treasurer of such institution shall not pay accounts for goods furnished, and salaries of officers or employes, out of any moneys appropriated by the State, without the certificate of the Superintendent of such institution, and the approval of the Commissioner. Nor shall the treasurer of any such institution pay accounts for supplies furnished to officers or employes, out of such moneys, except on the certificate of the superintendent that the same are drawn from the ordinary supplies provided for the general use of the institution. No person other than patients, officers or employes of such institutions, and the families of the superintendent, medical officers or stewards, necessarily residing therein, shall be allowed rooms or maintenance in such institutions, except at a rate to be fixed by the Auditor General and the Commissioner, with the approval of the Governor.

SECTION 54. The treasurer of each charitable reformatory or correctional institution receiving State aid, shall, on or before the fifteenth day of June, September, December and March, make to the Commissioner a full and perfect statement of all receipts and expenditures of State moneys used, specifying the several items for the last preceding quarter, and such statement shall be verified by the affidavit of the treasurer, attached thereto, in the following form:

I.....treasurer of the
do solemnly swear that I have deposited in the bank all the
moneys appropriated by the State, and received by me on ac-
count of such.....during the last quarter,
and I do further swear that the foregoing is a true abstract of
all such moneys received and expenses incurred by me, or
under my direction, as such treasurer, during the quarter ending
on theday of, 19....

SECTION 55. There shall be attached to such treasurer's state-
ment of State moneys so received and expended, the affidavit
of the superintendent, steward, or other officer having like
powers, to the effect that the goods and other articles therein
specified were purchased and received by him, or under his di-
rection, at the institution; that the goods were purchased at
a fair cash market price, and paid for; and that he, or any
person in his behalf, had no pecuniary or other interest in the
articles purchased; that he received no pecuniary or other
benefit therefrom, in the way of commission, percentage, de-
ductions or presents, or in any other manner, directly or in-
directly. He shall state the name or names of the person or
persons, or firm or corporation, from whom said articles were
purchased, and that the articles contained in such bill were
received at the institution; that they conform in all respects
to the invoice of goods received and ordered by him, both in
quantity and quality. Such statement shall be accompanied by
a voucher showing the payment of the several items contained
in the statement, the amount of such payments, and for what
the payments were made. Such vouchers shall be examined by the
Commissioner and, if found correct, shall be endorsed and for-
warded by the Commissioner, with the statement, to the Auditor
General, who shall have the power of final audit. If any voucher
is found objectionable, for any cause whatever, the Commis-
sioner or the Auditor General shall endorse his disapproval there-
on, with his reasons therefor, and return it to the treasurer
of such institution, who shall present it to the board of
managers or trustees for correction, and immediately return it.
If it is then in correct form, and satisfactory to the Commis-
sioner and the Auditor General, it shall be filed. In the event
that it is still unsatisfactory, to either the Commissioner or
the Auditor General, the amount thereof shall be disallowed.
All vouchers and statements shall be filed in the office of the
Auditor General.

SECTION 56. All purchases for the use of the State charitable,
reformatory or correctional institutions receiving State aid, and

paid for with moneys appropriated by the State, shall be made for cash, and not on credit or time. Every voucher shall be duly filled up at the time it is taken; and with every abstract of vouchers paid there shall be proof, on oath, that the voucher was filled up and the money paid at the time it was taken. The board of managers or trustees shall make all needful rules and regulations to enforce the provisions of this section. The Commissioner, his deputy, any manager or officer, trustee or employee, of any such institution, shall not be interested, directly or indirectly, in the furnishing of any materials, labor or supplies for the use of any such institution; nor shall any manager or trustee act as attorney or counsel for the board of managers or trustees thereof. The Commissioner may arrange with the board of managers or trustees of any such institution under his control for the purchase, by contract, of such staple articles or supplies as may be found feasible to purchase for the use of such institution, or any of them. Such contracts shall be let only after advertisement has been made by the trustees, in accordance with the directions and subject to the approval of the Commissioner. The contracts shall be let to the lowest bidder, and executed by the president of the board of managers or trustees, subject to the approval of the Commissioner. Every bidder shall be required to file with the Commissioner a certified check, in the sum of five hundred dollars (\$500) as a guaranty of good faith and his willingness to execute the contract if it should be awarded to him. In the event of the successful bidder failing to qualify, in accordance with the provisions of this section, the amount of this check shall be forfeited to the Commonwealth, and the contract shall be awarded to the next highest bidder. The successful bidder shall give a bond to the Commonwealth, in a sum to be approved by the Attorney General, for the faithful performance of his contract. Each of such institutions may manufacture such supplies and materials, to be used in the institution, as can be economically and properly made therein, with the approval of the Commissioner. When requested by the Commissioner, the superintendents, managers or trustees of such institutions, or any of them, shall meet at the office of the Commissioner, at Harrisburg, for the purpose of considering the feasibility of joint contracts.

SECTION 57. The Governor, Auditor General, and Commissioner of State Charitable Institutions, or a majority of such officers shall approve or reject all plans and specifications for any new buildings, or for any unusual repairs or improvements for any State charitable, reformatory or correctional institution, out of

State moneys appropriated therefor, and no such building shall be erected, or such repairs or improvements made, until the plans and specifications therefor have been so approved. The contracts for such erection, repairs or improvements may be let by the board of managers or trustees to the lowest responsible bidder, after thirty days advertisement in two newspapers of general circulation in the county wherein said institution is located; but such contracts must be approved by the Governor, Auditor General, and the Commissioner, or a majority of them; and, subject to such approval, such contracts may be sublet. A certified check, drawn upon some legally incorporated bank or trust company of this State, shall, in all cases, be required as an evidence of good faith, upon all proposals for buildings, repairs or improvements, to be deposited with the Commissioner, and in an amount to be determined by him. All contracts for the erection, repairs or improvements to said institutions shall contain a clause that the contract shall be deemed executory only to the extent of the moneys available, and no liabilities shall be incurred by the State beyond the moneys available for the purpose.

SECTION 58. The board of managers or trustees of each of the State charitable reformatory or correctional institutions receiving State aid, in addition to their other duties now required by law, shall visit and inspect the institution, for which it is appointed, at least monthly, and shall make a written report, in duplicate, to the Governor and the Commissioners, within ten days of each such visitation, to be signed by each member making such visitation. Such report shall state, in detail the financial condition of the institution visited, and such other matters appertaining to the management and affairs thereof as, in the opinion of the board, should be brought to the attention of the Governor or the Commissioner and may contain recommendations as to needed improvements or changes in the institution or its management.

SECTION 59. No money shall be paid on any contract for repairs, improvements or new buildings for any State charitable reformatory or correctional institution receiving State aid, until the voucher for the same shall be approved by the board of managers or trustees, and forwarded to the Commissioner, who shall, if he approve the same, endorse his approval thereon, and present the same to the Auditor General for his approval. If the account be approved, the Auditor General shall draw his warrant to the order of the contractor, who shall be paid by the State Treasurer out of moneys appropriated for the repair and improvements of such institution.

SECTION 60. No warrant shall be issued by the Auditor General, and no money shall be paid by the State Treasurer, to the trustees or managers of any such institution except upon a voucher signed by the treasurer of said institution, and duly approved by the Commissioner of State Charitable Institutions.

SECTION 61. The sum of seventy-five thousand dollars (\$75,000), or so much thereof as may be necessary, be, and the same is hereby specifically appropriated for the purpose of paying the salaries and expenses provided herein, the same to be on warrant drawn by the Auditor General on the State Treasurer, out of moneys not otherwise appropriated by law.

SECTION 62. That the Act entitled "An Act to create a Board of Public Charities," approved the twenty-fourth day of April, 1869, and the several supplements and amendments thereto, are hereby repealed.

SECTION 63. That the Act entitled "An Act relative to the supervision and control of hospitals or houses in which the insane are placed for treatment or detention," approved the eighth day of May, 1883, and the several supplements and amendments thereto are hereby repealed.

SECTION 64. All Acts are parts of Acts inconsistent herewith or supplied hereby be and the same are hereby repealed.

(B) NECESSITY OF INCREASED STATE EXPENDITURE.

The demand for better roads comes from all classes of citizens, automobile owners, farmers and all others who use the highways. It is elsewhere proposed that the tax on automobiles shall be applied to the maintenance of improved roads. All the increased revenue that could be legitimately raised could be expended in this way with benefit to the State.

The following table (see page 128) shows the improved and unimproved roads of the Commonwealth outside of Philadelphia. In spite of the amounts already spent it appears that only a beginning has been made.

Since the organization of the State Highway Department in 1903 we have spent \$8,168,700 for the construction of State highways with a total road mileage of 86,593. In the last five years New York State has spent \$26,000,000, and the counties \$10,000,000 on main highways, though its total road mileage is only 67,579 miles. In New Jersey \$6,000,000 has been spent on road construction, of which the State's share was \$1,550,000 upon a mileage of 14,842. Massachusetts in five years has spent \$4,274,633 on a mileage of 17,145 and Maryland a total of \$7,384,000 on a mileage of 16,000.

Mileage of Public Roads.

	Improved.	Unimproved.	Total.
1 Adams -----	7.35	1,058.61	1,065.96
2 Allegheny -----	289.01	1,384.29	1,673.30
3 Armstrong -----	14.39	1,708.75	1,723.14
4 Beaver -----	10.03	1,099.13	1,109.21
5 Bedford -----	17.08	1,707.97	1,725.05
6 Berks -----	131.00	2,293.10	2,424.10
7 Blair -----	39.70	696.15	735.85
8 Bradford -----	24.07	2,437.85	2,461.92
9 Bucks -----	87.84	1,678.50	1,766.34
10 Butler -----	15.57	1,815.86	1,831.43
11 Cambria -----	10.21	1,143.74	1,153.95
12 Cameron -----	1.59	143.74	150.33
13 Carbon -----	12.17	500.18	512.35
14 Centre -----	9.30	1,048.98	1,058.28
15 Chester -----	170.09	2,366.02	2,536.11
16 Clarion -----	6.73	1,367.22	1,373.95
17 Clearfield -----	17.09	1,682.80	1,699.89
18 Clinton -----	8.44	566.41	574.85
19 Columbia -----	6.67	1,264.44	1,271.11
20 Crawford -----	16.55	2,150.52	2,167.07
21 Cumberland -----	13.28	1,212.30	1,225.58
22 Dauphin -----	14.50	1,032.05	1,046.55
23 Delaware -----	220.15	310.31	530.46
24 Elk -----	5.50	537.39	542.89
25 Erie -----	18.92	1,647.52	1,666.44
26 Fayette -----	15.02	1,659.53	1,674.55
27 Forest -----	3.79	370.66	374.45
28 Franklin -----	58.25	1,175.41	1,233.66
29 Fulton -----		683.41	683.41
30 Greene -----	14.00	1,434.77	1,493.77
31 Huntingdon -----	19.28	1,302.95	1,322.23
32 Indiana -----	18.59	1,911.10	1,929.69
33 Jefferson -----	9.81	1,210.15	1,219.96
34 Juniata -----		771.95	771.95
35 Lackawanna -----	5.00	744.01	749.01

Mileage of Public Roads—Continued.

	Improved.	Unimproved.	Total.
36 Lancaster -----	216.25	2,574.50	2,790.75
37 Lawrence -----	9.36	855.76	865.12
38 Lebanon -----	108.00	722.77	830.77
39 Lehigh -----	25.52	1,175.22	1,200.74
40 Luzerne -----	47.07	1,520.04	1,567.11
41 Lycoming -----	15.60	1,655.38	1,670.98
42 McKean -----	9.60	741.30	750.90
43 Mercer -----	18.77	1,608.10	1,626.87
44 Mifflin -----	6.66	499.79	506.45
45 Monroe -----	20.53	941.69	962.22
46 Montgomery -----	410.17	1,432.09	1,842.26
47 Montour -----	1.94	355.85	357.79
48 Northampton -----	26.30	1,047.16	1,073.46
49 Northumberland -----	12.18	1,166.14	1,178.32
50 Perry -----	1.55	997.35	998.90
51 Pike -----	5.00	546.73	551.73
52 Potter -----	11.09	1,124.15	1,135.24
53 Schuylkill -----	10.42	1,353.27	1,363.69
54 Snyder -----	2.05	785.80	787.85
55 Somerset -----	10.93	2,147.01	2,157.94
56 Sullivan -----	3.16	549.21	552.37
57 Susquehanna -----		1,993.12	1,993.12
58 Tioga -----	19.82	1,789.60	1,809.42
59 Union -----	4.78	488.97	493.75
60 Venango -----	10.63	1,154.92	1,165.55
61 Warren -----	13.40	1,061.57	1,074.97
62 Washington -----	22.07	2,165.35	2,187.42
63 Wayne -----	1.51	1,436.21	1,437.72
64 Westmoreland -----	24.70	2,737.29	2,761.99
65 Wyoming -----	1.55	741.10	742.65
66 York -----	18.44	2,653.60	2,672.04
Total-----	2,400.02	84,193.86	86,593.88

The extension of improved roads on anything like the scale thus suggested must be made on sound principles of financiering by the expenditure of capital rather than income. Capital can only be found by borrowing, as our municipalities freely do for like purposes. The Constitution severely limits the borrowing power of the State by providing (Article IX, Section 4) :

"No debt shall be created by or on behalf of the State except to supply casual deficiencies of revenue, repel invasion, suppress insurrection, defend the State in war, or to pay existing debt; and the debt created to supply deficiencies in revenue shall never exceed, in the aggregate at any one time, one million of dollars."

Our neighboring States are helping out the construction of State roads by this means. New York authorized a bond issue of \$50,000,000 for highway improvement in 1905 although the State was already heavily in debt. These bonds are being issued from year to year as authorized by the Legislature. Massachusetts has issued \$1,820,000 of bonds since 1906, the proceeds going to road construction, and Maryland \$6,000,000.

Your Committee is of opinion that our borrowing power should be enlarged to meet the demand and thus enable us to keep pace with our sister Commonwealths in this respect. Your Committee recommends and submits herewith a draft of a Joint Resolution to accomplish that purpose. (See page 130.)

A JOINT RESOLUTION PROPOSING AN AMENDMENT TO SECTION FOUR,
ARTICLE NINE OF THE CONSTITUTION OF PENNSYLVANIA.

Be it Resolved by the Senate and House of Representatives of the Commonwealth of Pennsylvania in General Assembly met, that the following amendment to Section 4, Article 9, of the Constitution of Pennsylvania, be and the same is hereby proposed in accordance with the eighteenth article thereof:

That Section 4 of Article 9, which reads as follows:

"No debt shall be created by or on behalf of the State, except to supply casual deficiencies of revenue, repel invasion, suppress insurrection, defend the State in war, or to pay existing debt; and the debt created to supply deficiencies in revenue shall never exceed, in the aggregate at any one time, one million of dollars."

Be amended so that the same shall read as follows:

No debt shall be created by or on behalf of the State except to supply casual deficiencies of revenue, repel invasion, suppress insurrection, defend the State in war, *construct and improve its public highways*, or to pay existing debt; and the debt created to supply deficiencies in revenue shall never exceed, in the aggregate at any one time, one million of dollars.

Schools also demand increased expenditures. The State Normal Schools claim that they should receive more State money. The common school appropriations should be increased not only to give greater efficiency in the management of the schools, but to relieve the local taxes. One of the requests of the Pennsylvania State Grange to your Committee was for relief from the local taxation on real estate. Coupled with this was the request that the State pay the minimum wage to public school teachers for the minimum term. This would necessitate the expenditure of \$40.00 per month for an average school year of 8½ months nearly, for 35,111 teachers, or the sum of \$12,537,740. If \$50.00 per month were paid it would require \$14,922,175. For the year ending June, 1909, the total paid by the State for this purpose was \$905,025.55, and for the year ending June, 1910, the total was \$966,756.10. The common school appropriation for each of the last two appropriation years was \$7,500,000. If the State assumed these wages of school teachers it would mean an increase of from \$5,000,000 to \$7,500,000 per year, and this is too great a burden for the State to bear even with the increased revenue, this specific re-

lief is not presently possible. But some substantial advance in that direction must shortly be made.

As elsewhere stated, money is needed for the completion of State institutions now under way. This has been repeatedly recommended by the officials having them in charge and has been recommended by the Governor. The sums needed may be repeated here:

Homeopathic State Hospital for Insane at Allentown,	
Completion	\$ 663,000.00
Equipment	250,000.00
Miners' Hospital at Trevorton	150,000.00
Feeble Minded Institution at Spring City	1,500,000.00
Hospital for Criminal Insane at Farview	1,187,602.00

New institutions for the care of the State's insane, feeble minded or otherwise deficient persons, are recommended elsewhere by the Board of Public Charities as urgently needed. The sum required is estimated at \$1,000,000.

The State debt is overbalanced by the amount in the Sinking Fund and has always been inconsiderable. In this happy condition of affairs the State has always been able to bring her receipts and expenditures approximately even (subject to the uncertainties of calculation of the revenues), as shown by the following table:

	Receipts	Expenditures	Surplus of Receipts over Expenditures	Excess of Expenditures over receipts
1905	\$24,269,119.72	\$26,930,538.67	\$2,661,418.95
1906	25,818,924.03	25,574,200.42	\$ 244,723.61
1907	27,027,132.72	24,589,725.79	2,437,406.93
1908	25,852,548.95	29,197,654.15	3,345,105.20
1909	29,101,183.70	30,021,773.57	920,589.87
1910	28,946,424.43	27,657,399.88	1,289,024.55

With this showing, the balance being somewhat against the Commonwealth, the increased expenditures necessary can only be met by increases in State taxation.

(C) CHANGE OF SUBJECTS OF TAXATION.

The present division of subjects of taxation between the State and the localities is an admirable feature which should be preserved. The changes which should be made are for the purpose of an increased revenue, and to equalize burdens among the members of the classes as now taxed. Among the many subjects of taxation suggested your Committee has given special consideration to the following:

DIRECT INHERITANCE TAX.

Pennsylvania was the first State in the Union to put in force an inheritance tax, and with the exception of a tax on bank dividends and on the recording of certain local papers, etc., (Acts of 1825-1826, Chapter 2), this was the first State tax of any kind in Pennsylvania; the Act first creating anything like a system of State taxation being passed in 1831. Our tax on collateral inheritances was introduced in 1826 and has remained in force with occasional amendments to the present day. The tax was placed at its present rate, at 5 per cent., in 1846. The whole subject was codified in 1887 by "An Act to provide for the better collection of collateral inheritance taxes." The policy thus begun in Pennsylvania in 1826 has spread through most of the States of the Union and has extended to direct as well as collateral inheritances.

Inheritance tax is no longer a mere theory, but an established fact, and it has come to stay. A State properly taxes a right of succession which its laws confer, and such duty should be paid to the State which protects the

rights of property. Inheritances are now taxed to a greater or less extent in thirty-six States, and the tendency is to pass Acts taxing lineal as well as collateral heirs and at graduated rates. Twenty-one States of the Union tax both direct and collateral heirs, viz: Arkansas, California, Colorado, Connecticut, Idaho, Illinois, Louisiana, Massachusetts, Michigan, Minnesota, Montana, Nebraska, New York, North Carolina, Oregon, South Dakota, Utah, Washington, West Virginia, Wisconsin and Wyoming.

Fifteen States levy a collateral tax only, namely, Iowa, Kentucky, Missouri, New Hampshire, New Jersey, Ohio, Pennsylvania, Tennessee, Vermont and Virginia, all at a 5 per cent. rate; Maine, 4 per cent.; Maryland, $2\frac{1}{2}$ per cent.; North Dakota, 2 per cent., and Texas from 2 to 12 per cent.

Only twelve States have no inheritance tax, namely, Alabama, Arizona, Florida, Georgia, Indiana, Kansas, Mississippi, Nevada, New Mexico, Oklahoma, Rhode Island and South Carolina.

The American Acts generally tax collaterals at the rate of 5 per cent. and lineals from $\frac{1}{2}$ per cent. (Connecticut) to 3 per cent. (Louisiana), though Minnesota and Utah make no distinction between direct and collateral heirs. However, in all other cases in which direct heirs are taxed the rates are much lower and the exemption (except in Connecticut and North Carolina) much larger than for collateral heirs. Many States graduate the tax in more than two classes, according to the degrees of relationship between the decedent and beneficiary. In 1897 Pennsylvania enacted a direct inheritance tax law which exempted estates of \$5,000 in value. In consequence of the grading effected by this exemption, the law was declared unconstitutional by the Supreme Court and no attempt to impose it in any form has since been made. A table is submitted herewith (see page 152) showing the inheritance tax laws in force in the various States of the Union with respect to the rates and grading thereof both as to the degrees of relationship and the size of the estate.

Pennsylvania by taxing collaterals only seriously restricts its revenue-producing power. The New York inheritance tax (5 per cent. collateral and 1 per cent direct) averages more than \$5,000,000 a year, while in Pennsylvania the average annual receipts from our 5 per cent. collateral inheritance tax in the past five years has been \$1,582,780.95.

Your Committee proposes a direct inheritance tax therefore of 1 per cent. upon all estates not subject to the collateral inheritance tax, and submits herewith a draft of an Act for that purpose (see page 141). The Act submitted is based very largely on the Acts now existing in this Commonwealth with reference to collateral inheritance taxes. For the sake of uniformity both are provided for by the same statute. In its preparation your Committee has aimed at the following:

1. A reasonable tax which will provide a fair revenue;
2. One that is definitely fixed and easily computed;
3. A tax avoiding double taxation, in the case of estates of citizens of those of our sister Commonwealths that provide a like exemption in favor of the estates of citizens of this Commonwealth.

A reference to the table annexed to this report (see page 152), will show the reasonableness of the tax (5 per cent. collateral and 1 per cent. direct) as compared with similar taxes in other States. Such an inheritance tax has many advantages and is not open to any serious objection. It is the price paid for the privilege given by law of taking by will or descent. It is a source of revenue which cannot be evaded, as the estates of decedents must be inventoried and administered. It is easily collected and one that equitably apportions public burdens in proportion to the ability to bear them. One cause of the great popularity of the inheritance tax is that it is imposed upon the person paying it at a time when he least feels the burden, and when he is receiving a bene-

fit more or less unexpected and which he receives by virtue of State laws permitting the succession of property at the time of death. It is taking something from him before he gets it.

Your Committee is in hearty accord with the modern tendency of legislation to graduate the rate of the tax according to the size of the estate. This has been the policy of Pennsylvania from the beginning in one particular, as estates of \$250 and less have been exempted by our collateral inheritance tax law. The Act of 1897 was in line with this policy. Inasmuch, however, as our Constitution forbids this grading, owing to the requirement in Article 9, Section 1, that taxes shall be uniform upon the same class of subjects, such a tax cannot now be levied.

Your Committee, therefore, recommends that a constitutional amendment be proposed permitting such a grading and submits herewith a draft of a Joint Resolution for that purpose (see page 150).

The amendment as drawn will provide for the grading in this manner of other subjects of taxation as well as inheritances, and will permit the exemption of small estates from all kinds of tax. It has been advocated, for example, that \$500 of moneyed investments be freed from personal property tax. This, of course, is not now possible. The principle of graduation, that is, the laying of a larger percentage on a larger sum—seems to your Committee both just and expedient, especially as applied to inheritance taxes, in which a high progressive rate should tend to counteract the piling up of colossal fortunes, which experience has shown are not conducive to the public welfare.

They put into the hands of a very few an abnormal power over the many, which no matter how well disposed its possessors may be, can but be harmful to the social and political sovereignty of the people. There should be some remedy for such a condition where a few, a very few, comparatively, can have such power.

Your Committee in recommending the graduated taxes well know that the small percentage suggested will have little if any effect in securing a general distribution of these fortunes, but the suggestion is made in the hope that it will be the means of promoting discussion of this most important subject, with a probable beneficial result. The leading nations of continental Europe and the Provinces of Canada have graduated inheritance taxes. Such a tax has been approved by modern economists and statesmen. Mr. Edwin R. A. Seligman, Professor of Political Economy and Finance in Columbia University, a leading authority on taxation and a member of the New York State Commission of 1906, fully discussed this question in his work on *Progressive Taxation*, pages 213 and 215, with the conclusion "that the theory of progression is more applicable to the inheritance tax than to any other part of the fiscal system; and that * * *

* * * * * some scale of progression is both desirable and practicable (*Essays on Taxation*, Chapter 5—the Inheritance Tax, page 133)." The same authority says, "In the United States also, there is now a decided movement toward the progressive inheritance tax—and it is more than probable that progressive inheritance taxes will play by no means an insignificant role in the fiscal systems of the future" (*Supra*, pages 133, 135). Moreover, such a tax has been sustained by the United States Supreme Court, which decided in *Magoun vs. Trust and Savings Bank*, 170 U. S. 283 (1898), that the progressive scale or principle of graduation in inheritance taxes was not in violation of the Fourteenth Amendment. Under this decision the principle of progression is applicable to the direct taxes as well. Partly as a consequence of this decision a number of progressive inheritance tax bills have been introduced and now many of our State statutes show graduated rates of tax. Ohio was the first State in the Union to apply this principle to the inheritance tax, but the tax now is in some degree progressive in sixteen States,

as follows: California, Idaho, Illinois, Massachusetts, Minnesota, New York, West Virginia and Wisconsin have progressive rates for both direct and collateral heirs. In Arkansas, Colorado, Nebraska, North Carolina, Oregon and South Dakota the progressive rates apply only to distant relatives and strangers in blood, while in Washington and Texas they apply to all collateral heirs. However, our own Legislature is subject to the above mentioned restriction in Article 9, Section 1 of our Constitution, which as interpreted by our Supreme Court in Cope's Estate, 191 Pa. 1, decided in 1899, prevents the levying of such a tax in Pennsylvania without some such constitutional amendment as that proposed by your Committee.

Some States have got progressive taxation without constitutional amendments. In South Carolina, for example, where the State Constitution requires the Legislature to provide for a uniform and equal rate of assessment and taxation and prescribes regulations to secure a just valuation for taxation for all property, but provides "that the General Assembly may provide for a graduated tax on incomes," the South Carolina Supreme Court in *Alderman vs. Wells*, 27 L. R. A. (N. S.) 864, in sustaining a graduated income tax which exempts incomes under a specified amount and increases the tax as the income reaches stated amounts above that sum, said, "It is impossible to conceive how a tax on incomes could be graduated without exempting some incomes or without making the tax higher on some than others." Many of the States have upheld the constitutionality of such a tax by declaring it to be a tax on the devolution of property. It is a tax not on wealth, but on the transfer of wealth. Thus the Louisiana inheritance tax was originally upheld by the Federal Supreme Court in *Meger vs. Grima, et al.*, 8 Howard 490, as a simple regulation of inheritance.

Your Committee finds that other States than Pennsylvania have had constitutional troubles in the taxation of inheritances. One of the constitutional amendments

adopted by New Hampshire in 1903 extended the permissible objects of taxation to include franchises and "property when passing by will or inheritance." In Minnesota the Supreme Court decided that a progressive inheritance tax passed by the Legislature in 1875 violated the constitutional requirement that all taxes must be "as nearly equal as may be," both by its \$2,000 exemption and by its arbitrary schedule. In 1894, a constitutional amendment authorizing a tax either proportional or progressive, but not exceeding 5 per cent. on inheritances above a fixed amount, was adopted. The amendment which was in the form of a proviso added to the section enjoining equality of taxation, reads as follows: "And providing further, that there may be by law levied and collected a tax upon all inheritances, devises, bequests, legacies and gifts of every kind and description above a fixed and specified sum of any and all natural persons and corporations. Such tax above such exempted sum may be uniform or it may be graded or progressive, but shall not exceed a maximum tax of 5 per cent." in 1905, a progressive inheritance tax was enacted which was held by the Supreme Court of Minnesota in *State ex rel Foote vs. Bazille*, 6 L. R. A. (N. S.), 732, not to be contrary to the Constitution as above amended and was sustained, the Court saying, "The authority to make the tax graded or progressive was incorporated in the law advisedly, and in view of the well known and firmly established system of such taxation in force in this country based upon the wise and wholesome doctrine that ability to pay is the true basis for all taxation. Though it results in a measure in inequality, it conforms to a system sanctioned and supported by the authorities generally and is not repugnant to constitutional principles."

It may be added that the new Constitution of Oklahoma expressly authorizes progressive taxation of both direct and collateral inheritances. In addition to the effect of the amendment recommended by your Committee on the

question of grading inheritance taxes, your Committee believes the amendment suggested to be in line with the thought that a Constitution should be a declaration of general principles rather than a specification of particulars. The wording will permit greater freedom to the Legislature in taxing other property in this way, if the advance of modern legislation, keeping pace with progressive civilization, makes it advisable.

While it remains the policy of the State to give aid to charity, it seems unnecessarily circuitous to levy a tax upon bequests for that purpose. To exempt such bequests merely means a gift in another form, and without the idle act of taking away and then giving again. The amount would not be large. For the years 1908, 1909 and eight months in 1910 in thirty counties reporting to your Committee, the tax on bequests to charity as shown by the local records amounts to \$587,684.45. Such a concession has been long asked for by those interested in charitable work and it seems only just. The Constitution of the State permits the exemption from taxation of "institutions of purely public charity." The adoption of the same language as the measure of the actual exemption would exclude all gifts other than those going to the benefit of persons who must otherwise be the subject of State aid. Accordingly it is recommended that this exemption be granted and an Act accomplishing that purpose is submitted herewith (see page 150).

This exemption really forms part of the scheme of taxation of inheritances, but is put in the form of a separate Act in order that it may be considered separately for the convenience of the Legislature, and in order that any alterations which are deemed advisable may be conveniently made without affecting the general scheme of taxing inheritances by reason of creating unlawful exemptions in that Act.

AN ACT LAYING A STATE TAX ON ESTATES PASSING EITHER BY WILL OR UNDER THE INTESTATE LAWS OF THIS COMMONWEALTH OR BY DEED, GRANT, BARGAIN OR SALE, MADE OR INTENDED TO TAKE EFFECT AFTER THE DEATH OF THE GRANTOR OR BARGAINER AND PROVIDING FOR THE COLLECTION THEREOF.

SECT. 1. Be it enacted, etc., That all estates, real, personal and mixed, of every kind whatsoever, situated within this State, whether the person or persons dying seized thereof be domiciled within or out of this State, and all such estates situated in another State, territory or country, when the person or persons dying seized thereof shall have their domicile within this Commonwealth, passing from any person who may die seized or possessed of such estates, either by will or under the intestate laws of this State, or any part of such estate or estates, or interest therein, transferred by deed, grant, bargain or sale, made or intended to take effect, in possession or enjoyment after the death of the grantor or bargainer, to or for the use of father, mother, husband, wife, children, and lineal descendants born in lawful wedlock, children adopted according to law and their lineal descendants, children of a former husband or wife, or the wife or widow of the son of the person dying seized or possessed thereof, shall be, and they are hereby made subject to a tax of one dollar on every hundred dollars of the clear value of such estate or estates, and at and after the same rate for any less amount, to be paid to the use of the Commonwealth; and all such estates passing to any other person or persons or to bodies corporate or politic in trust or otherwise shall be and they are hereby made subject to a like tax of five dollars on every hundred dollars; and all owners of such estates, and all executors and administrators and their sureties, shall only be discharged from liability for the amount of such taxes or duties, the settlement of which they may be charged with, by having paid the same over, for the use aforesaid, as hereinafter directed.

SECT. 2. Where a testator appoints or names one or more executors, and makes a bequest or devise of property to them, in lieu of their commissions or allowances, or appoints them his residuary legatees, and said bequests, devises, or residuary legacies, exceed what would be a fair compensation for their services, such excess shall be subject to the payment of the tax provided by this Act; the rate of compensation to be fixed by the proper Courts having jurisdiction in the case.

SECT. 3. In all cases where there has been or shall be a devise, descent or bequest to take effect in possession, or come into

actual enjoyment after the expiration of one or more life estates, or a period of years, the tax on such estate shall not be payable, nor interest begin to run thereon, until the person or persons, bodies corporate or politic liable for the same shall come into actual possession of such estate, by the termination of the estates for life or years, and the tax shall be assessed upon the value of the estate at the time the right of possession accrues to the owner as aforesaid: Provided, that the owner shall have the right to pay the tax at any time prior to his coming into possession, and, in such cases, the tax shall be assessed on the value of the estate at the time of the payment of the tax, after deducting the value of the life estate or estates for years: And, provided further, that the tax on real estate shall remain a lien on the real estate on which the same is chargeable until paid. And the owner of any personal estate shall make a full return of the same to the Register of Wills of the proper county within one year from the death of the decedent, and within that time enter into security for the payment of the tax to the satisfaction of such register; and in case of failure to do so, the tax shall be immediately payable and collectible.

SECT. 4. If the tax provided by this Act shall be paid within three months after the death of the decedent, a discount of 5 per centum shall be made and allowed; and if the said tax is not paid at the end of one year from the death of the decedent, interest shall then be charged at the rate of 12 per centum per annum on such tax; but where from claims made upon the estate, litigation, or other unavoidable cause of delay, the estate of any decedent or a part thereof cannot be settled up at the end of the year from his or her decease, 6 per centum per annum shall be charged upon the tax provided by this Act, arising from the unsettled part thereof, from the end of such year until there be default: Provided further, that where real or personal estate withheld by reason of litigation or other cause of delay in manner aforesaid from the parties entitled thereto, subject to said tax, has not been, or shall not be productive to the extent of 6 per centum per annum, they shall not be compelled to pay a greater amount as interest to the Commonwealth than they may have realized, or shall realize from such estate during the time the same has been or shall be withheld as aforesaid.

SECT. 5. The executor, or administrator, or other trustee, paying any legacy or share in the distribution of any estate, subject to the tax provided by this Act, shall deduct therefrom at

the rate of one dollar or five dollars on every hundred dollars, as the case may be, as provided in Section 1 of this Act, upon the whole legacy or sum paid; or if not money, he shall demand payment of a sum, to be computed at the rate of tax chargeable thereon, upon the appraised value thereof, for the use of the Commonwealth; and no executor or administrator shall be compelled to pay or deliver any specific legacy or article to be distributed, subject to tax, except on the payment into his hands of a sum computed on its value as aforesaid; and in case of neglect or refusal on the part of said legatee to pay the same, such specific legacy or article, or so much thereof as shall be necessary, shall be sold by such executor or administrator at public sale, after notice to such legatee, and the balance that may be left in the hands of the executor or administrator shall be distributed, as is or may be directed by law; and every sum of money retained by any executor or administrator, or paid into his hands on account of any legacy or distributive share, for the use of the Commonwealth, shall be paid by him without delay.

SECT. 6. If the legacy subject to the tax provided by this Act be given to any person for life, or for a term of years, or for any other limited period, upon a condition or contingency, if the same be money, the tax thereon shall be retained upon the whole amount; but if not money, application shall be made to the Orphans' Court having jurisdiction of the accounts of the executors or administrators to make apportionment, if the case requires it, of the sum to be paid by such legatees, and for such further order relative thereto as equity shall require.

SECT. 7. Whenever such legacy shall be charged upon or payable out of real estate the heir or devisee before paying the same shall deduct therefrom the tax chargeable thereon, and pay the amount so deducted to the executor; and the same shall remain a charge upon such real estate until so paid, and the payment thereof shall be enforced by the decree of the Orphans' Court in the same manner as the payment of such legacy may be enforced.

SECT. 8. Whenever any real estate of which any decedent may die is seized shall be subject to the tax provided by this Act, it shall be the duty of executors and administrators to give information thereof to the Register of the county, where administration had been granted, within six months after they undertake the execution of their respective duties, or if the fact be not known to them within that period, within one month after the same shall have come to their knowledge; and

it shall be the duty of the owners of such estates, immediately upon the vesting of the estate, to give information thereof to the Register having jurisdiction of the granting of administration.

SECT. 9. It shall be the duty of any executor or administrator, on the payment of the tax provided by this Act, to take duplicate receipts from the Register, one of which shall be forwarded forthwith to the Auditor General, whose duty it shall be to charge the Register receiving the money with the amount, and seal with the seal of his office and countersign the receipt and transmit it to the executor or administrator, whereupon it shall be a proper voucher in the settlement of the estate; but in no event shall an executor or administrator be entitled to a credit in his account unless the said receipt is so sealed and countersigned by the Auditor General.

SECT. 10. Whenever any foreign executor, or administrator, or trustee, shall assign or transfer any stocks or loans in this Commonwealth standing in the name of the decedent or in trust for a decedent which shall be liable for the tax provided by this Act, such tax shall be paid, on the transfer thereof, to the Register of the county where such transfer is made; otherwise the corporation permitting such transfer shall become liable to pay such tax.

SECT. 11. Whenever debts shall be proven against the estate of a decedent after distribution of legacies from which the tax provided by this Act has been deducted in compliance with this Act and the legatee is required to refund any portion of a legacy, a proportion of the said tax shall be repaid to him by the executor or administrator if the said tax has not been paid into the State or County Treasury, or by the County Treasurer, if it has so been paid.

SECT. 12. It shall be the duty of the Register of Wills of the county in which letters testamentary or of administration are granted to appoint an appraiser, as often as and whenever occasion may require, to fix the valuation of estates which are, or shall be, subject to the tax provided by this Act; and it shall be the duty of such appraiser to make a fair and conscientious appraisal of such estates; and it shall further be the duty of such appraiser to assess and fix the cash value of all annuities and life estates growing out of said estates, upon which annuities and life estates the tax provided by this Act shall be immediately payable out of the estate at the rate of such valuation: Provided, That any person or persons, bodies corporate or politic not satisfied with said appraisalment shall

have the right to appeal within thirty days to the Orphans' Court of the proper county or city, on paying, or giving security to pay, all costs, together with whatever tax shall be fixed by said Court, and upon such appeal said Courts shall have jurisdiction to determine all questions of valuation, and of the liability of the appraised estate for such tax, subject to the right of appeal to the Supreme or Superior Court as in other cases.

SECT. 13. The compensation of such appraisers shall be as follows. namely: For each and every day on which an appraiser shall actually be engaged in making appraisements of property subject to said tax, he shall receive the sum of two dollars: Provided, That if, in the discharge of his duties, it shall be necessary for him, the said appraiser, to travel from his place of residence to appraise property subject to said tax, he shall be allowed such actual necessary traveling expenses as he may incur, which expenses shall be itemized in a sworn statement to be returned to the Register and subject to the final approval of the Auditor General.

SECT. 14. When, by virtue of the complicated nature of an estate subject to the payment of the tax provided by this Act the interest of the Commonwealth shall require the appointment as appraiser of said estate, of a person possessed of expert or technical knowledge to ascertain the value thereof, reasonable additional compensation shall be allowed said appraiser for the exercise of such expert or technical knowledge, and in cases where, after the appointment of an appraiser to appraise the value of said estate, it shall appear that the proper appraisement of said estate will require the services of a person possessed of expert or technical knowledge whereof the appraiser appointed to appraise said estate is not possessed, he, the said appraiser, may employ the services of a person possessed of expert or technical knowledge to assist him in the appraisement of said estate, and for such services the person so employed shall receive reasonable compensation: Provided, That in all such cases the Register of Wills appointing the appraiser shall certify to the Auditor General that there is actual necessity for the appointment of an appraiser possessed of expert or technical knowledge, or that the appraiser already appointed to appraise the estate in question should be assisted by a person possessed of such knowledge, and no person shall be appointed as such expert appraiser, or as expert assistant to an appraiser, without the approval of the Auditor General of said appointment first had and obtained, nor shall any pay-

ment be made to any appraiser, or to any person employed by him, under this section, until an itemized statement of the services performed and the compensation recommended shall have been rendered, under oath or affirmation, to the Auditor General for his approval and shall have received the same: And provided further, That no clerk or other person employed in the office of a Register of Wills shall be appointed an expert appraiser of an estate subject to the payment of the tax provided by this Act nor as an expert to assist the appraiser of such estate.

SECT. 15. It shall be a misdemeanor in any appraiser, appointed by the Register to make any appraisement in behalf of the Commonwealth, to take any fee or reward from any executor or administrator, legatee, devisee, next of kin, or heir of any decedent, and for any such offense the register shall dismiss him from such service, and, upon conviction in the Quarter Sessions, he shall be fined not exceeding five hundred dollars, and imprisoned not exceeding one year, or both, or either, at the discretion of the Court.

SECT. 16. It shall be the duty of the Register of Wills to enter in a book, to be provided at the expense of the Commonwealth, to be kept for that purpose, and which shall be a public record, the returns made by all appraisers under this Act, opening an account in favor of the Commonwealth against the decedent's estate, and the Register may give certificates of payment of such tax from such record, and it shall be the duty of the Register to transmit to the Auditor General, on the first day of each month, a statement of all returns made by appraisers during the preceding month, upon which the taxes remain unpaid, which statement shall be entered by the Auditor General in a book to be kept by him for that purpose. And whenever any such tax shall have remained due and unpaid for one year, it shall be lawful for the Register to apply to the Orphans' Court, by bill or petition, to enforce the payment of the same; whereupon said Court, having caused due notice to be given to the owner of the real estate charged with the tax, and to such other persons as may be interested, shall proceed, according to equity, to make such decrees or orders for the payment of the said tax out of such real estate as shall be just and proper.

SECT. 17. If the Register shall discover that any tax provided by this Act has not been paid over according to law, the Orphans' Court shall be authorized to cite the executors or administrators of the decedent, whose estate is subject to the

tax, to file an account or to issue a citation to the executors, administrators, or heirs, citing them to appear on a certain day and show cause why the said tax should not be paid, and when personal service cannot be had, notice shall be given for four weeks, once a week, in at least one newspaper published in said county; and if the said tax shall be found to be due and unpaid, the said delinquent shall pay said tax and costs. And it shall be the duty of the Register, or of the Auditor General, to employ an attorney of the proper county, to sue for the recovery and amount of such tax, and the Auditor General is authorized and empowered, in settlement of accounts of any Register, to allow him costs of advertising and other reasonable fees and expenses, incurred in the collection of the tax.

SECT. 18. The Registers of Wills of the several counties of this Commonwealth, upon their filing with the Auditor General the bond hereinafter required, shall be the agents of the Commonwealth for the collection of the tax provided by this Act, and for services rendered in collecting and paying over the same, the said agents shall be allowed to retain for their own use 5 per centum upon the tax collected, if the said tax shall amount to a sum less than two hundred thousand dollars in any year; or 4 per centum upon the said tax, if the same shall amount to two hundred thousand dollars and less than three hundred thousand dollars in any year or 3 per centum upon the said tax, if the tax collected shall amount to three hundred thousand dollars or more in any year.

SECT. 19. The said Register shall give bond to the Commonwealth in such penal sum as the Orphans' Court of the county may direct, with two or more sufficient sureties for the faithful performance of the duties hereby imposed, and for the regular accounting and paying over of the amounts to be collected and received; and said bond, on its execution and approval by the said Orphans' Court, to be forwarded to the Auditor General.

SECT. 20. It shall be the duty of the Register of Wills of each county to make returns and payment to the State Treasurer of all the tax provided by this Act which he shall have received, stating for what estate paid, on the first Mondays of April, July, October and January, in each year; and for all taxes collected by him, and not paid over within one month after his quarterly return of the same, he shall pay interest at the rate of 12 per centum per annum until paid.

SECT. 21. The lien of the taxes provided by this Act shall continue until the said taxes are settled and satisfied: Provided,

That the said lien shall be limited to the property chargeable therewith: And provided further, That all said taxes shall be sued for within five years after they are due and legally demandable, otherwise they shall be presumed to have been paid and cease to be a lien as against any purchasers of real estate.

SECT. 22. In all cases where any amount of the tax provided by this Act has heretofore been paid, or may hereafter be paid, erroneously, either with respect to the amount of the estate or the rate of the tax to the Register of Wills of the proper county, for the use of the Commonwealth, it shall be lawful for the State Treasurer, on satisfactory proof rendered to him by said Register of Wills of such erroneous payment, to refund and pay over to the executor, administrator, person or persons who may have heretofore paid or may hereafter pay any of such tax in error, the amount of such tax thus erroneously paid: Provided, That all such applications for the repayment of such aforesaid tax, erroneously paid into the Treasury, shall be made within two years from the date of said payment, except when the estate, upon which such tax shall have been so erroneously paid shall have consisted in whole or in part of a partnership, or other interest of uncertain value, or shall have been involved in litigation, by reason whereof there shall have been an overvaluation of that portion of the estate on which the tax has been assessed and paid, which overvaluation could not have been ascertained within said period of two years; then, and in such case, the application for repayment may be made to the State Treasurer within one year from the termination of such litigation, or ascertainment of such overvaluation.

SECT. 23. Property of a resident of the Commonwealth which is not therein at the time of his death shall not be taxable under the provisions of this Act if legally subject in another State or country to a tax of like character and amount to that hereby imposed, and if such tax be actually paid or guaranteed or secured in accordance with law in such other State or country; if legally subject in another State or country to a tax of like character but of less amount than that hereby imposed and such tax be actually paid or guaranteed or secured as aforesaid, such property shall be taxable under this Act to the extent of the difference between the tax thus actually paid, guaranteed or secured, and the amount for which such property would otherwise be liable hereunder. Property of a non-resident decedent which is within the jurisdiction of the Commonwealth at the time of his death, if subject to a tax of like character with that imposed by this Act by the law of the State or country of his residence,

shall be subject only to such portion of the tax hereby imposed as may be in excess of such tax imposed by the laws of such State or country: Provided, That a like exemption is made by the laws of such other State or country in favor of estates of citizens of this Commonwealth, but no such exemption shall be allowed until such tax provided for by the law of such other State or country shall be actually paid, guaranteed, or secured in accordance with law.

NOTES.

Section 1 is based on the first section of the Act of May 6, 1887, relating to collateral inheritance taxes. The Two hundred and fifty dollars exemption therein provided is dropped and estates passing to "father, mother, husband, wife, children, and lineal descendants born in lawful wedlock, or the wife, or widow of the son" and "children of a former husband or wife" of the person dying seized heretofore exempt under Section 1, Act May 1, 1887, P. L. 79, as amended by the Act of April 22, 1905, P. L. 259, are made subject to a 1 per cent. tax. There is also added to this class "children adopted according to law and their lineal descendants." This changes the law as made by the decision in *Com. vs. Nancrede*, 32 Pa. 389. The change better accords with the spirit of the law and the provision in other States. The Constitutional provision, Article 9, Section 1, declaring that all taxes shall be uniform upon the same class of subjects, as interpreted in *Cope's Estate*, 191 Pa. 1, requires the elimination of the Two hundred and fifty dollars exemption as to direct inheritances, and it has seemed to your Committee, therefore, more consistent to likewise strike it out as to collaterals.

Sections 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12 are based on the like sections of the Act of May 6, 1887.

Sections 13 and 14 are based on Sections 1 and 2 of the Act of June 26, 1895, P. L. 325.

Sections 15, 16 and 17 are based on Sections 13, 14 and 15 of the Act of May 6, 1887.

Section 18 is based on Act of May 14, 1891, P. L. 59, which amended Section 16 of the Act of May 6, 1887.

Sections 19, 20 and 21 are based on Sections 17, 19 and 20 of the Act of May 6, 1887.

Section 22 is based on Act of March 25, 1901, P. L. 59, which amended Act of June 12, 1878.

Section 23 is based on Section 3 of the Massachusetts Inheritance Tax Act of June 12, 1909, P. L. 647. Its purpose is to prevent double taxation and while giving a proper share of the taxable estate to any State enacting a similar provision, to relieve the estates of our citizens so far as they are taxed abroad in such States.

AN ACT TO EXEMPT FROM THE PAYMENT OF INHERITANCE TAXES
BEQUESTS AND DEVISES TO INSTITUTIONS OF PURELY PUBLIC
CHARITY.

SECT. 1. Be it enacted, etc., That hereafter all bequests and devises to institutions of purely public charity shall be exempt from liability for inheritance taxes.

A JOINT RESOLUTION, PROPOSING AN AMENDMENT TO SECTION ONE
OF ARTICLE NINE OF THE CONSTITUTION OF PENNSYLVANIA,
RELATING TO TAXATION.

SECT. 1. Be it resolved, etc., that the following is proposed as an amendment to the Constitution of the Commonwealth of Pennsylvania in accordance with the provisions of the eighteenth article thereof.

SECT. 2. Amend Section 1 of Article 9 of the Constitution of Pennsylvania, which reads as follows:

"All taxes shall be uniform, upon the same class of subjects, within the territorial limits of the authority levying the tax, and shall be levied and collected under general laws; but the General Assembly may, by general laws, exempt from taxation public property used for public purposes, actual places of religious worship, places of burial not used or held for private or corporate profit, and institutions of purely public charity," so as to read as follows:

All taxes shall be uniform upon the same class of subjects within the territorial limits of the authority levying the tax, and shall be levied and collected under general laws, *and the subjects of taxation may be classified for the purpose of laying graded or progressive taxes*, but the General Assembly may, by general laws, exempt from taxation public property used for public purposes, actual places of religious worship, places of burial not used or held for private or corporate profit, and institutions of purely public charity.

NOTE.

This form your Committee recommends for the purpose of freeing the Legislature to apply the principle of graduation as may be thought necessary, a freedom which most other States have. If it be thought well, however, to confine the present amendment to inheritance taxes the following alternative is proposed):

All taxes shall be uniform, upon the same class of subjects, within the territorial limits of the authority levying the tax, and shall be levied and collected under general laws; but the General Assembly may, by general laws, *provide for a uniform or graduated or progressive tax upon all estates passing either by will or under intestate laws or by any instrument intended to take effect after death, and exempt from taxation a fixed and specified amount of such estate* and public property used for public purposes, actual places of religious worship, places of burial not used or held for private or corporate profit and institutions of purely public charity.

Inheritance Tax Laws.

States.	Dates of earliest and most recent Act.	Lineal.		Collateral.		Special features.
		Rates, per cent.	Exemptions.	Rates, per cent.	Exemptions.	
Alabama (1)-----	No law					
Alaska-----	No law					
Arizona-----	No law					
Arkansas-----	1901-1909	1	5,000			
California-----	1893-1905	1 — 3	4,000-10,000	2 — 6	1,000-2,000	Graded and Prog've.
Colorado-----	1901-1909	2	10,000	1½-15	500-2,000	Graded and Prog've.
Connecticut-----	1889-1907	½	10,000	3 — 10	500	Graded and Prog've.
Delaware-----	1869-1909			3	10,000	Reciprocal.
District of Columbia (14)-----	No law			1 — 5	500	Graded.
Florida-----	No law					
Georgia-----	No law					
Hawaii (14)-----	1892-1905	2	1,000			
Idaho-----	1907	1 — 3	4,000-10,000	5	500	
Illinois-----	1895-1900	1 — 2	20,000 (2)	1½-15	500-2,000	Graded and Prog've.
Indiana-----	No law			2 — 10	500-2,000	Graded and Prog've.
Iowa (13)-----	1896-1906					
Kansas-----	No law			5	1,000	

Inheritance Tax Laws—Continued.

States.	Dates of earliest and most recent Act.	Lineal.		Collateral.		Special features.
		Rates, per cent.	Exemptions.	Rates, per cent.	Exemptions.	
Kentucky (13)	1906			5	500	
Louisiana	1828 (3)—1904	2	10,000	5	0	
Maine (13)	1893—1901			4	500	
Maryland	1845—1880			2½	500	
Massachusetts	1891—1909	1 — 2	10,000	3 — 5	1,000	Recip., Grad. and Prog've.
Michigan (13)	1893—1903	1 (4)	2,000	5	100	
Minnesota	1875—1905	1½ — 5	10,000	1½ — 5	10,000	Progressive.
Mississippi	No law					
Missouri (13)	1895—1899			5	0	
Montana	1897	1	7,500	5	500	
Nebraska	1901—1907	1	10,000	2 — 6	500—2,000	Graded and Prog've.
Nevada	No law					
New Hampshire	1878—1905			5	0	
New Jersey (13)	1892—1909			5	0	
New Mexico	No law					
New York	1885—1910	1 — 5	500—5,000	5 — 25	100 — 500	Recip., Grad. and Prog've.
North Carolina	1847—1909	¾	2,000	1½—15	2,000	Graded and Prog've.

Inheritance Tax Laws—Continued.

States.	Dates of earliest and most recent Act.	Lineal.		Collateral.		Special features.
		Rates, per cent.	Exemptions.	Rates, per cent.	Exemptions.	
North Dakota	1903			2	25,000	
Ohio	1893-1906			5	200	
Oklahoma (5-14)	No law					
Oregon	1903-1909	1	5,000 (6)	2 — 6	500—2,000	Graded and Prog've.
Pennsylvania	1826-1905			5	250	
Porto Rico	1901	1 — 3		3 — 9	200	Graded and Prog've.
Rhode Island	No law					
South Carolina	No law					
South Dakota	1905	1	5,000 (7)	2 — 10	100—500	Graded and Prog've.
Tennessee	1891-1893			5	250	
Texas	1907			2 — 12	500—2,000	Graded and Prog've.
Utah	1901-1905	5	10,000	5	10,000	
Vermont (14)	1896-1904			5	0	
Virginia (13)	1844-1909			5	0	
Washington	1901-1907	1	10,000	3 — 12 (8)	0	Graded and Prog've.
West Virginia	1887-1909	1 — 3	10,000-15,000	3 — 15	0	Grad., Prog've and Recip.
Wisconsin (13)	1888-1903	1 — 3	2,000-10,000	1½-15	100—500	Graded and Prog've.

Inheritance Tax Laws—Continued.

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States.	Dates of earliest and most recent Act.	Lineal.		Collateral.		Special features.
		Rates, per cent.	Exemptions.	Rates, per cent.	Exemptions.	
Wyoming	1903	2	10,000 (9)	5	500	
Alberta (10-14)	1903	1½-5	25,000	10	5,000	Tax Lim., Grad. and Prog've.
British Columbia (14)	1894	½-5	25,000	5-10	5,000	Tax Lim., Grad. and Prog've.
Manitoba (14)	1893-1905	1-10	25,000	1-10	2,000	Tax Lim., Grad. and Prog've.
New Brunswick (14)	1892	1¼-2½	50,000	5-10	5,000-10,000 (11)	Graded and Prog've.
Nova Scotia (14)	1892-1901	2½-5	25,000	5-10	5,000	Tax Lim., Grad. and Prog've.
Ontario (14)	1892-1907	1-8	50,000	5-10	10,000	Recep., Tax Lim., Gr., Prog.
Prince Edward Island (14)	1894	1½-2½	10,000	2½-7½	3,000	Graded and Prog've.
Quebec (14)	1892-1907	1-8	5,000	5-15 (12)	1,000-10,000	Graded and Prog've.
Saskatchewan (14)	1903	1½-5	25,000	10	5,000	Tax Lim., Grad. and Prog've.

(1) Alabama had an inheritance tax law in 1848; Constitution of 1901 says 2½% may be imposed, but Legislature never has passed statute. (2) This exemption applies to each person. (3) Applied to aliens only. (4) Applies to personal property only. (5) Constitution gives right to impose both lineal and collateral inheritance tax. (6) This applies to each person; estates of less than \$10,000 are exempt. (7) To certain lineals an exemption of \$20,000. (8) Foreign collaterals 25%. (9) To certain lineals an exemption of \$25,000. (10) Ordinances passed by Northwest Territory. (11) To persons residing out of Province rate is doubled. (12) To per sons residing outside of British Empire an additional 5%. (13) Subsequent legislation on inheritance tax laws not affecting rates and exemption herein given. (14) 1903 inclusive.

TAX ON AUTOMOBILES.

The present Act of 1909 divides automobiles into three classes. The first class (under 20 horse power), pays \$5.00; the second class (between 20 and 50 horse power), pays \$10.00, and the third class (over 50 horse power), pays \$15.00. The number of automobiles registered to nearly the close of the year 1910 is as follows:

Vehicles less than 20 horse power	755	at	\$5.00	\$3,775.00
Vehicles 20 horse power, but less than 50 horse power.....	20,304	at	10.00	203,040.00
Vehicles 50 horse power or more	12,273	at	15.00	184,195.00
Total	33,332			<u>\$391,010.00</u>

In addition there was received:

Dealers' registrations	2,908	at	\$5.00	\$14,540.00
Motor cycle registrations	3,808	at	2.00	7,616.00
Chauffeurs' licenses	15,845	at	2.00	31,690.00
Special juvenile licenses	684			
A grand total of	56,577			<u>\$444,856.00</u>

New Jersey divides automobiles into three classes, the points of division being at 10 and 30 horse power, and taxes the classes \$3.00, \$5.00 and \$10.00 respectively. Massachusetts divides them into five classes with the points of division at 20, 30, 40 and 50 horse power and taxes them \$5.00, \$10.00, \$15.00, \$20.00 and \$25.00 respectively. Connecticut divides them into five classes with the division at 20, 30, 35 and 40 horse power and taxes them \$6.00, \$10.00, \$15.00, \$20.00 and \$30.00 respectively. All these States provide that the money thus raised shall be at the disposition of the Commissioner of Highways, without further appropriation to expend on the roads of the State.

This tax can be collected with absolute certainty. The automobile is a luxury which can easily bear the increased tax and if the amount realized was expended in the improvement of the roads, the owners of the automobiles would be so benefited that they would doubtless cheerfully pay it. At the same time it would be a great relief to local communities which are put to additional expense in maintaining road surfaces injuriously affected by automobile traffic.

Your Committee therefore recommends the imposition of a tax of \$25.00, \$50.00 and \$75.00 upon the respective classes of registration of vehicles as now established. This on the basis of 1910 would produce a revenue of

Under 20 horse power	\$18,875.00
20 to 50 horse power	1,051,200.00
50 horse power or more	920,475.00
Total	\$1,954,550.00

Under the present law this fund is paid to the State Highway Department "to be used for the improvement of the roads of this Commonwealth." It should also be available for maintenance of improved roads.

A draft of an Act to accomplish this change is accordingly submitted herewith (see page 157).

AN ACT TO AMEND SECTIONS 2 AND 21 OF AN ACT ENTITLED "AN ACT RELATING TO MOTOR-VEHICLES: REGULATING THEIR SPEED UPON THE PUBLIC STREETS AND HIGHWAYS OF THE COMMONWEALTH OF PENNSYLVANIA; PROVIDING FOR THEIR REGISTRATION, AND THE LICENSING OF OPERATORS, BY THE STATE HIGHWAY DEPARTMENT; ESTABLISHING THE RIGHTS OF MOTOR-VEHICLES UPON THE PUBLIC HIGHWAYS, WITH RELATION TO OTHER VEHICLES; REGULATING THE SERVICE OF PROCESS AND OF PROCEEDINGS IN ACTIONS FOR DAMAGES ARISING THEREFROM; PRESCRIBING THE PENALTIES FOR VIOLATIONS OF THE PROVISIONS OF THIS ACT, AND PROVIDING FOR THE DISPOSITION OF FINES IMPOSED THEREUNDER." APPROVED APRIL 27, 1909.

SECT. 1. Be it enacted, etc., That Section 2 of an Act entitled "An Act relating to motor-vehicles: regulating their speed upon the public streets and highways of the Commonwealth of Pennsylvania, providing for their registration, and the licensing of operators, by the State Highway Department; establishing the rights of motor-vehicles upon the public highways, with relation to other vehicles; regulating the service of process and of proceedings in actions for damages arising therefrom; prescribing the penalties for violations of the provisions of this Act, and providing for the disposition of fines imposed thereunder." Approved April 27, 1909, which reads as follows:

"SECT. 2. Application for the registration of motor-vehicles shall be made to the State Highway Department, or to a lawful agent appointed by the Highway Commissioner. The application shall contain the name, place of residence, and correct post-office address of the owner; with a brief description of the motor-vehicle, stating the name of the maker, the manufacturer's number, the character of the motive power, and the rated horse-power. The said application shall be made upon a blank provided for the purpose by the State Highway Department. It shall be signed by the owner, and be verified by oath or affirmation. Upon receipt of the application, and a fee of five dollars (\$5.00) for motor-vehicles of less than twenty horse-power, ten dollars (\$10.00) for motor-vehicles of twenty horse-power or more and less than fifty horse-power, and fifteen dollars (\$15.00) for motor-vehicles of fifty horse-power or over, or in the case of a motor-cycle, two dollars (\$2.00), the State Highway Department shall register the said motor-vehicle or motor-cycle in a book to be kept for that purpose; and shall issue to the owner a registration certificate, and two (2) number tags having thereon the registration number, the figures of which shall be not less than five (5) inches in height, the maker's number of the car, the abbreviated name of the State, and the year: Provided, however, That non-residents of this Commonwealth shall be exempt for a period of ten (10) days from the provisions of this section, if they have complied with the requirements of the State in which they reside, and display upon their motor-vehicle number-tags that indicate the State by which they are issued and their register number: Provided further, That this privilege shall not apply to residents of States which do not extend similar privileges to residents of this Commonwealth: Provided further, That motor-cycles under this Act, in lieu of the specific form of tag or tags as required herein, shall be required to have painted or

attached on the rear mud-guard of such motor-cycle the registration number, in letters and figures of not less than three inches in height and not less than three-eighths of an inch in width, which shall be displayed in some conspicuous color or design other than that of which the said motor-cycle is painted; but no metal sign shall be required in order that the said letters and figures can be plainly readable. The manner of numbering said motor-cycles shall be regarded as a compliance with the terms of this Act, as though a tag or tags had actually been furnished and supplied by the said Highway Department. Any neglect or failure to carry out the terms or provisions of this section as to numbers shall be construed and regarded as a violation of this Act, with the same force and effect as though the provisions herein mentioned in regard to tag or tags had been violated.

"Applicants for registration or license who reside outside of this State shall, in addition to the above requirements, designate in their application a resident of this State as their authorized agent upon whom process may be served," be and the same is hereby amended to read as follows:

SECT. 2. Application for the registration of motor-vehicles shall be made to the State Highway Department, or to a lawful agent appointed by the Highway Commissioner. The application shall contain the name, place of residence, and correct post-office address of the owner; with a brief description of the motor-vehicle, stating the name of the maker, the manufacturer's number, the character of the motive power, and the rated horse-power. The said application shall be made upon a blank provided for the purpose by the State Highway Department. It shall be signed by the owner, and be verified by oath or affirmation. Upon receipt of the application, and a fee of *twenty-five dollars (\$25.00)* for motor-vehicles of less than twenty horse-power, *fifty dollars (\$50.00)* for motor-vehicles of twenty horse-power or more and less than fifty horse-power, and *seventy-five dollars (\$75.00)* for motor-vehicles of fifty horse-power or over, or in the case of a motor-cycle, two dollars (\$2.00), the State Highway Department shall register the said motor-vehicle or motor-cycle in a book to be kept for that purpose and shall issue to the owner a registration certificate, and two (2) number tags having thereon the registration number, the figures of which shall be not less than five (5) inches in height, the maker's number of the car, the abbreviated name of the State, and year: Provided, however, That non-residents of this Commonwealth shall be exempt for a period of ten (10)

days from the provisions of this section, if they have complied with the requirements of the State in which they reside, and display upon their motor-vehicle number-tags that indicate the State by which they are issued and their registry number: Provided further, that this privilege shall not apply to residents of States which do not extend similar privileges to residents of this Commonwealth: Provided further, That motor-cycles under this Act, in lieu of the specific form of tag or tags as required herein, shall be required to have painted or attached on the rear mud-guard of such motor-cycles the registration number, in letters and figures of not less than three inches in height and not less than three-eighths of an inch in width, which shall be displayed in some conspicuous color or design other than that of which the said motor-cycle is painted; but no metal sign shall be required in order that the said letters and figures can be plainly readable. The manner of numbering said motor-cycles shall be regarded as a compliance with the terms of this Act, as though a tag or tags had actually been furnished and supplied by the said Highway Department. Any neglect or failure to carry out the terms or provisions of this section as to numbers shall be construed and regarded as a violation of this Act, with the same force and effect as though the provisions herein mentioned in regard to tag or tags had been violated.

Applicants for registration or license who reside outside of this State shall, in addition to the above requirements, designate in their application a resident of this State as their authorized agent upon whom process may be served.

SECT. 2. That Section 21 of the said Act, which reads as follows:

"SECT. 21. The revenues derived from the registration of motor-vehicles, and from licensing operators thereof, under the provisions of this Act, shall be paid by the State Highway Department to the State Treasurer, to be used for the improvement of the roads of this Commonwealth," be, and the same is, hereby amended to read as follows:

"SECT. 21. The revenues derived from the registration of motor-vehicles, and from licensing operators thereof, under the provisions of this Act, shall be paid by the State Highway Department to the State Treasurer, to be used for the *improvement of the roads of this Commonwealth and the maintenance thereof.*"

TAX ON ANTHRACITE COAL.

Many recommendations were made to your Committee, that a tax be imposed on some of the natural resources of the State, such as the gross production of mines, oil and gas wells. This was one of the requests of the State Grange. So far as these natural products come in competition with those produced by other States, it would be a considerable burden upon the operation of such industries in this Commonwealth to lay any tax. This would apply to oil, gas and bituminous coal. It would in the end be a tax upon the real estate from which such products were derived, and would be an exception to the general policy of the Commonwealth, not to tax real estate specifically for State purposes, but to leave it to bear the principal burden of local taxation.

As to anthracite coal, however, in which this Commonwealth has a practical monopoly, competition would not exist. Such a tax would be like the tax on gross receipts of transportation and other similar companies, a tax on business operations as to which there is more or less of a monopoly. Moreover, as the tax could be laid on the coal before it became the subject of interstate commerce, a large part of the burden would be passed on, if any change in price, to the citizens of other States. It is estimated that 80 per cent. of this coal goes out of the State.

At the meeting held at Scranton disinterested public men warmly advocated such a tax, and reference was made, among other considerations, to the number of accidents in the anthracite coal mines, which left a burden of disabled men, widows and orphans to fall upon State aid. The proportion is much greater in the anthracite regions, being for 1908, 618 fatal and 3,526 non-fatal accidents in the production of 70,238,530 tons of anthracite, to 531 fatal and 3,005 non-fatal accidents in the production of 118,313,525 tons of bituminous. The yearly averages in

the anthracite mines up to 1907 showed deaths of 573, leaving 322 widows and 770 orphans; for the bituminous, 475 deaths, leaving 252 widows and 546 orphans.

The Department of Mines made the necessity of relieving this burden the subject of earnest comment in its report of 1907, advised a tax of three-fourths of a cent per ton on bituminous coal and one and one-half cents on anthracite, the sum realized to be applied to this specific purpose, and repeated the recommendation in 1909.

Your Committee therefore recommends the imposition of a State tax of $2\frac{1}{2}$ per cent. of the value of all anthracite coal at the mouth of the mine, as provided by the draft of an Act submitted herewith. (See page 165.)

The product of anthracite coal in this Commonwealth in the year 1908 amounted to 70,238,530 tons of the value of \$153,917,458, and in 1909 to 80,223,833 tons of the value of \$180,503,624. Upon the basis of the production of 1908 the tax would realize \$3,847,936.45, and upon the basis of 1909 the sum of \$4,512,580.60, and would form a very substantial addition to the State revenue. This would be at the rate of approximately $5\frac{1}{2}$ cents per ton, irrespective of size.

One especially interesting suggestion made was that the coal in situ be relieved of local taxation, and a portion of the anthracite coal tax be returned to the counties to compensate for this. It is often the case that the surface is owned by one person and the coal by another, the division being horizontal instead of vertical. The coal is then assessed separately as real estate, and whether assessed this way or with the surface, the uncertainties of valuation owing to ignorance of the extent of the coal cause much difficulty and feeling between the taxing officials and owners. Instances may be found in the cases of Delaware, Lackawanna and Western Railway Company's Assessment, 224 Pa. 240, where the court held that it was not uniform taxation to assess coal lands at a ratio of actual to assessed value different from other lands; and

in Lehigh and Wilkes Barre Coal Company's Assessment, 225 Pa. 272, the court condemned the unvarying use of the so-called "foot-acre" method, whereby all coal in place is valued according to a unit of cubical content, to wit, an acre of coal a foot thick, without regard to quality and accessibility, which greatly affect the actual value. Then again, the County Commissioners of the different counties adopt different values for the unit, Lackawanna county, \$200; Luzerne county, \$67, and like variations in other counties. These difficulties would be done away with by the method suggested. On the other hand, there are practical difficulties in local distribution, owing to local taxes for roads, schools, poor and the like in the subdivisions of the counties.

As the primary purpose of the tax at this time is the raising of State revenue, your Committee does not recommend that the system of local distribution be now put in effect. After the yield of the tax has been determined, and statistics have been gathered as to the amount and kind of local taxes to be displaced, a system may be established by which from an increase of the State tax the present local taxes may be supplied and discontinued. Information on these points is still being sought, and if proper data can be obtained and a practical scheme worked out before adjournment of the Legislature, further report on the subject will be made.

A somewhat similar suggestion as to timber was made, that is, to exempt it from taxes until fit for market. The situation is different. Timber land has no value apart from timber until it is cleared, and in many localities there would be little land left to pay the expenses of local government. The coal is always fit for market, and is always being mined and revenue realized. But we must wait for a revenue from timber in this way.

A draft of an Act laying an ad valorem tax on coal at the mouth of the mine is therefore submitted herewith (see page 165). An alternative is suggested in case

it should be the opinion of the Legislature that it is more desirable to lay the tax at a flat rate per ton (see page 165). The tax according to value would be more uniform, and the tax at a flat rate easier of ascertainment.

With respect to oil, gas and bituminous coal a tax of the same amount laid by all of the States in which these are produced which come in competition with the products of our State without the necessity of a long haul to market, would so equalize conditions that there would be no unfairness. West Virginia in particular is seeking a proper method of taxing its oil and gas products. A conference between these States would be beneficial to all concerned, and your Committee recommends that an invitation be extended to them to meet delegates appointed by the Governor of Pennsylvania to discuss the subject, the expenses of the delegates to be provided for in the general appropriation bill. For this purpose the following Joint Resolution is proposed:

A JOINT RESOLUTION PROVIDING FOR THE ISSUING OF AN INVITATION
TO NEIGHBORING STATES TO A CONFERENCE WITH RESPECT TO THE
TAXING OF OIL, GAS AND BITUMINOUS COAL.

Resolved, if the _____ concur, That the Governor of the Commonwealth be requested to issue an invitation to the States of Ohio, West Virginia, and Maryland to participate in a joint conference with this State upon the subject of a tax of the same amount to be laid by each State upon oil, gas and bituminous coal, and upon the method of laying the same; and,

Be it further Resolved, That upon the Governor of the Commonwealth receiving from the Governors of the States of Ohio, West Virginia and Maryland an indication of the willingness of their respective States to participate in such a conference, the Governor be and he is hereby authorized to appoint three delegates to meet and confer with delegates from all those States when the same shall be designated, at a time and place to be mutually agreed upon; and

Be it further Resolved, That the expenses of such delegates be paid out of a sum to be appropriated in the general appropriation bill and be drawn from the State Treasury upon the warrant of the chairman of the delegation, who shall be designated as such by the Governor.

AN ACT LAYING A STATE TAX ON ANTHRACITE COAL AND PROVIDING
FOR THE COLLECTION OF THE SAME.

SECT. 1. Be it enacted, etc., That hereafter every ton of anthracite coal of the weight of two thousand two hundred and forty pounds avoirdupois mined in this Commonwealth shall be subject to a State tax of five cents to be settled and collected as provided by law for other State taxes.

(Or as an alternative title and first section.)

AN ACT LAYING A STATE TAX ON ANTHRACITE COAL AND PROVIDING
FOR THE COLLECTION OF THE SAME.

SECT. 1. Be it enacted, etc., That hereafter every ton of anthracite coal of the weight of two thousand two hundred and forty pounds avoirdupois mined in this Commonwealth shall be subject to a State tax of two and one-half per centum of the value thereof at the mouth of the mine, to be settled and collected as provided by law for other State taxes.

SECT. 2. Every operator of an anthracite coal mine or mines in this Commonwealth shall report to the Auditor General in the month of January in each year hereafter the number of such tons of anthracite coal mined by such operator within the calendar year then next preceding, and the value thereof at the mouth of the mine. Such report shall be in writing under the oath of the operator if an individual, or of one of them if more than one individual, or of a principal executive officer if a corporation, limited partnership or joint stock association.

SECT. 3. If any such operator shall fail to furnish such report within the time required, it shall be the duty of the accounting officers of the Commonwealth to add 10 per centum to the tax for each and every year for which such report was not so furnished, which percentage shall be settled and collected with the said tax in the usual manner of settling accounts and collecting such taxes; and if any individual operator or the officers of an operator being a corporation, limited partnership, or joint stock association, or any of them, shall intentionally fail to make such report for three successive years, he or they shall be deemed guilty of a misdemeanor, and on conviction thereof shall be sentenced to pay a fine of five hundred dollars and undergo an imprisonment not exceeding one year, or both or either, at the discretion of the Court.

SECT. 4. If the Auditor General or State Treasurer is not satisfied with the report so made, they are hereby authorized and

empowered to make an estimate of the number of tons mined by the operator and to settle an account on the basis of such estimate for the taxes, penalties and interest due the Commonwealth thereon, with the right to the operator dissatisfied with any settlement so made to appeal therefrom in the manner provided by law; and if no such report is made the Auditor General and State Treasurer shall make an estimate and settle an account as aforesaid, from which settlement there shall be a right of appeal in the manner provided by law.

NOTE.

The classification of anthracite coal as distinguished from bituminous coal has been sanctioned by long existing legislation with reference to the different modes of inspection of bituminous and anthracite mines and the classification sustained in the case of *Durkin vs. Kingston Coal Co.*, 171 Pa. 193.

By an Act of 1864, P. L. 218, a tonnage tax of 2 cents was put on the products of mines. This was amended by an Act of the same year, P. L. 988, continued by an Act of 1868, P. L. 108, and finally abolished by an Act of 1864 P. L. 68. The latter Act substituted a tax on the number of tons of coal mined or purchased by companies engaged in the mining or purchasing and selling of coal at the rate of 3 cents per ton. This was sustained as a tax on franchises or privileges of the company and the classification of these companies separately for purposes of taxation was approved in the case of *Kittanning Coal Company vs. Commonwealth*, 79 Pa. 103.

By the Act of 1879, P. L. 112, the tax was abolished as of July 1, 1881. It was held unconstitutional by the Supreme Court of the United States as to interstate tonnage by the case of *Philadelphia & Reading R. R. Co. vs. Penna.*, 15 Wall. 232.

The method of report and settlement of the tax is based on the method with regard to capital stock tax of corporations.

MERCANTILE LICENSE TAX.

The largest number of protests made to your Committee against existing taxes is that made against the mercantile license tax. The principal complaint is that as a tax on gross sales instead of on profit, it bears on those who do a large volume of business in staple articles upon a small margin of profit. As the tax bears equally upon all of the competitors of such a merchant there is no preference of any one, and the tax can easily be allowed for as an item of expense of the business. The tax as now laid has the advantage of being easily and accurately ascertainable. To ascertain the amount of profit would necessitate far more inquisition than the present method, and this matter of prying into the affairs of merchants is even now a matter of complaint. The same difficulty of accurate estimate would be met with in any attempt to tax on the amount of capital involved in the business. The mercantile license tax has existed in this State continuously in various forms since the year 1821. It is not large in amount, being only one mill on retail dealers, one-half mill on wholesale dealers, and one-quarter mill on dealers at exchange. Business of all kinds has become so accustomed to the tax as to have adjusted itself thereto, and it seems only fair that the private business man should bear part of the burdens of the Government by which he benefits, when corporations are called upon to bear so much heavier burdens in the way of capital stock tax, and public service corporations bear in addition a gross receipts tax of eight mills upon the business which they conduct, which is also a tax upon privilege and is laid in the same way. It is proposed hereafter to impose a tax on manufacturing corporations also, as some of the merchants have suggested, so that this privilege will not escape. Money which is active in business and is thus being repeatedly turned over is specially fitted for taxation, and in all States is a

special object of such taxation. If the money of the merchant is not taxed, a large amount will escape its share of the public burden. This is opposed to the principle of equalizing taxes on property of the same class so far as it is practical to subject it to successful taxation.

The cost of collecting this tax is not so large as might be supposed. The average cost for the year 1907 was 10.6 per cent., and for 1908, 10.5 per cent. One of the items in this cost is advertising of the mercantile tax lists, which is now made everywhere except at Philadelphia, although there is authority to order it there. This publicity is in line with the general movement for publicity in all tax matters, a striking instance of which is the provisions of the Federal Corporation Tax law. Many recommendations have been made with respect to real estate assessment, that lists be published of the values so that the conflicting opinions and interests of neighbors may produce greater equality in valuations. Your Committee thinks that if a list were published including not merely the names and classification but also the amount of business on which a tax is laid (which could be done at slight expense) the lists would be of great value in securing equalization.

They therefore recommend the enactment of the following Act:

AN ACT RELATIVE TO MERCANTILE APPRAISERS' LISTS.

SECT. 1. Be it enacted, etc., That hereafter the Mercantile Appraisers' Lists published in each county of the Commonwealth, in addition to the names and classification of each person subject to license, shall also give the amount of the gross volume of business transacted annually upon which the tax is assessed.

Your Committee therefore recommends that the mercantile license tax be continued as now laid.

TAXES ON INSURANCE COMPANIES.

Insurance companies now pay the capital stock tax if they have capital stock, and the four mills tax on money at interest (except in such extraordinary cases as that of the Provident Life and Trust Company, elsewhere referred to), and an eight mills tax upon the premiums received for business done within the State. Foreign companies pay 2 per cent. of the premiums upon business done within the State. Some of the companies, and also the Insurance Commissioner, have advocated that the tax on premiums be increased and all other taxes abolished. This tax is like that on the gross receipts of certain public service corporations. It is very easy to ascertain and collect, as it falls upon all classes of companies alike, none is able, by reason of special circumstances or any concealment, to evade it. Such a tax would reach even the evasive Provident Life and Trust Company. It should extend to both foreign and domestic companies and all those in the insurance business, except fraternal orders, which stand on a different basis, to wit, that of benevolence.

This, at the same time, would adjust the complaints which are made even by our own insurance companies of the excessive rate charged to foreign companies. The practical result is to bear hard upon our companies when they go abroad to do business, because they are met in the most important States with a retaliatory tax of the same kind, and hence do business there at a disadvantage with their competitors. Under the very stringent provisions of our law as to the registration and inspection and reserves of foreign companies, our citizens are as safe in dealing with them as with domestic companies, and both should do business upon the same basis.

It was represented by certain of the insurance companies that a tax of 2 per cent. on the gross premiums would yield a revenue which would be approximately equal

to that derived from the present taxes, for which it is substituted. The suggestion of this tax, however, unites in the minds of the Committee with a demand for increased taxation upon the insurance companies. These companies have control of very large funds, and as such form a concrete body of wealth which is easily and efficiently taxed, and the burden of the tax thereby distributed over the portion of the community doing business with them, a class well able to bear it. In this respect they are analogous to banking institutions.

Your Committee, therefore, submits herewith a draft of an Act designed to accomplish the result suggested, and modeled upon the existing Act of 1895, imposing the tax at the rate of 3 per cent. (see page 170).

AN ACT TO FURTHER AMEND SECTION 24 OF AN ACT ENTITLED "A FURTHER SUPPLEMENT TO AN ACT ENTITLED 'AN ACT TO PROVIDE REVENUE BY TAXATION,' APPROVED THE SEVENTH DAY OF JUNE, ANNO DOMINI ONE THOUSAND EIGHT HUNDRED AND SEVENTY-NINE," APPROVED THE 1ST DAY OF JUNE, ANNO DOMINI 1889.

SECT. 1. Be it enacted, etc., That Section 24 of an Act entitled "A further supplement to an Act entitled 'An Act to provide revenue by taxation,' approved the seventh day of June, Anno Domini one thousand eight hundred and seventy-nine," approved the 1st day of June, Anno Domini 1889, which as heretofore amended reads as follows:

"That hereafter it shall be the duty of the President, Secretary or other proper officer of each and every insurance company or association, incorporated by or under any law of this Commonwealth, except companies doing business upon the purely mutual plan without any capital stock or accumulated reserve, and purely mutual beneficial associations whose funds for the benefit of members, their families or heirs are made up entirely of the weekly or monthly contributions of their members and the accumulated interest thereon, to make report in writing to the Auditor General, semi-annually, upon the first days of July and January in each year, setting forth the entire amount of premiums and assessments received by such company or association during the preceding six months, whether said premiums and assessments were received in money or in the form

of notes, credits or other substitutes for money; and every such company or association shall pay into the State Treasury, semi-annually, on the last days of January and July, in addition to any other taxes to which it may be liable under the first and twenty-first sections of this Act, a tax of eight mills on the dollar upon the gross amount of said premiums and assessments received from business transacted within this Commonwealth: Provided, That said reports shall be made under oath or affirmation, and it shall be the duty of the accounting officers of the Commonwealth to add 10 per centum to the account of any company or association whose officers shall neglect or refuse for a period of thirty days to make said report, or to pay into the State Treasury the tax imposed by this section: And provided further, That hereafter the annual tax upon premiums of insurance companies of other States or foreign Governments, shall be at the rate of 2 per centum upon the gross premiums of every character and description received from business done within this Commonwealth within the entire calendar year preceding," be amended to read as follows:

That hereafter it shall be the duty of the President, Secretary or other proper officer of each and every insurance company or association of every kind whatsoever and wheresoever incorporated, including stock and mutual companies, and mutual beneficial associations, doing business in this Commonwealth, to make report in writing to the Auditor General annually in the month of January in each year hereafter, setting forth the entire amount of premiums and assessments received by such company or association during the preceding calendar year, whether said premiums and assessments were received in money or in the form of notes, credits or other substitutes for money; and every such company or association shall pay into the State Treasury annually on the last day of January in each year a tax of three per cent. upon the gross amount of such premiums and assessments received from business transacted within this Commonwealth: Provided, That said report shall be made under oath or affirmation, and that it shall be the duty of the accounting officers of the Commonwealth to add ten per centum to the account of any company or association whose officers shall neglect or refuse for a period of thirty days to make said report or to pay into the State Treasury the tax hereby imposed: And provided further, That the tax hereby imposed shall be in lieu of any tax to which such companies might otherwise be liable under the first section of this Act, and in lieu of any tax to which it might otherwise be liable under the twenty-first section of this Act as respects so much of its capital as is invested in the business of insurance.

TRANSFER COMPANIES.

In connection with the gross receipts tax, it may be well to mention that companies transferring baggage and doing a like business do not pay the tax. It might be supposed that they were included in the term "express companies," upon which a special Act of 1899 imposes the eight mills gross receipts tax. But in practice the tax has not been collected from these companies, and as their business is exactly analogous to that of express companies and as they are an important class of public service corporations, your Committee recommends the imposition of the tax upon them, and submits herewith a draft of an amendment to the Act of 1899 above mentioned, to accomplish that end (see page 172).

AN ACT TO AMEND SECTION 2 OF AN ACT ENTITLED "A SUPPLEMENT TO AN ACT ENTITLED 'AN ACT TO PROVIDE REVENUE BY TAXATION,' APPROVED THE SEVENTH DAY OF JUNE, ANNO DOMINI ONE THOUSAND EIGHT HUNDRED AND SEVENTY-NINE, AMENDING AND EXTENDING THE PROVISIONS THEREOF," APPROVED THE 28TH DAY OF APRIL, A. D. 1899.

SECT. 1. Be it enacted, etc., That Section 2 of an Act entitled "A supplement to an Act, entitled 'An Act to provide revenue by taxation,' approved the seventh day of June, Anno Domini one thousand eight hundred and seventy-nine, amending and extending the provisions thereof," which reads as follows:

"SECT. 2. Every corporation, limited partnership, joint stock association, partnership, firm or association of individuals, incorporated or unincorporated, engaged in the business commonly known as express business, shall pay to the State Treasurer, for the use of the Commonwealth, a tax of eight mills upon the amount of their gross receipts from express business done wholly within this State, the said tax shall be paid semi-annually upon the last days of January and July in each year; and for the purpose of ascertaining the amount of the same, it shall be the duty of the Treasurer, or other proper officer of the said corporation, limited partnership, joint stock association, partnership, firm or association of individuals, to trans-

mit to the Auditor General a statement, under oath or affirmation, of the amount of gross receipts of the said corporation, limited partnership, joint stock association, partnership, firm, or association of individuals, incorporated or unincorporated, derived from all sources, and of the gross receipts from business done wholly within the State during the preceding six months ending upon the first days of January and July in each year; and if any such corporation, limited partnership, joint stock association, partnership, firm, or association of individuals, incorporated or unincorporated, shall neglect or refuse for a period of thirty days after such tax becomes due to make said returns, or to pay the said tax, the amount thereof, with an addition of 10 per centum thereto, shall be collected for the use of the Commonwealth as other taxes are recoverable by law. No other tax upon express receipts, or upon the privilege of transacting express business, shall be collected without further authority of law to be hereafter enacted: Providing, That this Act shall not be construed to repeal or take the place of the tax upon capital stock now imposed by law; but the tax on gross receipts hereby imposed shall be in addition to the tax on capital stock imposed by existing law upon any of the corporations, companies or associations hereby taxed," be, and the same is hereby amended so as to read as follows:

SECT. 2. Every corporation, limited partnership, joint stock association, partnership, firm, or association of individuals, incorporated or unincorporated engaged in *the business of carrying baggage or persons* or in the business commonly known as express business, or in any other business of a like character and commonly known as *transfer companies, express companies and companies doing similar business*, shall pay to the State Treasurer, for the use of the Commonwealth, a tax of eight mills upon the amount of their gross receipts from *transfer, express and similar business* done wholly within this State, the said tax shall be paid semi-annually upon the last days of January and July in each year; and for the purpose of ascertaining the amount of the same, it shall be the duty of the Treasurer, or other proper officer of the said corporation, limited partnership, joint stock association, partnership, firm, or association of individuals, to transmit to the Auditor General a statement, under oath or affirmation, of the amount of gross receipts of the said corporation, limited partnership, joint stock association, partnership, firm, or association of individuals, incorporated or unincorporated, derived from all sources, and of the gross receipts from business done wholly within the State, during the preceding six months ending upon the first days

of January and July in each year; and if any such corporation, limited partnership, joint stock association, partnership, firm, or association of individuals, incorporated or unincorporated, shall neglect or refuse for a period of thirty days after such tax becomes due to make said returns, or to pay the said tax, the amount thereof, with an addition of 10 per centum thereto, shall be collected for the use of the Commonwealth as other taxes are recoverable by law. No other tax upon *transfer*, express *and similar* receipts, or upon the privilege of transacting *transfer*, express *and similar* business, shall be collected without further authority of law to be hereafter enacted: Providing, That this act shall not be construed to repeal or take the place of the tax upon capital stock now imposed by law; but the tax on gross receipts hereby imposed shall be in addition to the tax on capital stock imposed by existing law upon any of the corporations, companies or associations hereby taxed.

EXEMPTION OF SAVINGS INSTITUTIONS FROM FOUR MILLS TAX.

The Legislature of 1909, P. L. 298, exempted savings institutions not having a capital stock from the four mills tax on monied investments, with the proviso that this should not relieve from payment corporations which had issued loans free of tax. This Act is wrong in principle. These institutions are not charitable organizations. While few in number, they have the control of a great amount of money, the total deposits amounting (November 6, 1909), to \$167,068,144.72), of which the Philadelphia Savings Fund Society alone had \$92,259,930.43.

The passage of this Act was advocated on the plea that it would benefit the depositors in this class of depositories whose funds are largely made up of small savings. But the result intended has not been accomplished. While in theory a tax on the creditor, it really falls upon the debtor, and yet though exempt from the tax there has been no change influenced by the Act in the rate of interest demanded by these institutions since its passage.

Nor has the exemption benefited the depositors. The rate of interest paid (3.65 per cent.) is the same as before, and the money realized has gone to swell the already large surplus which is never divided, and for the Philadelphia Savings Fund alone amounted, on November 10, 1910, to \$9,574,159.36.

If the interest charged was lower than the current rate (because of the exemption from the four mills tax), it would appear to tend to favoritism in the granting of loans, and it could not be otherwise than a profitable abuse. Indeed, it is not difficult to conclude that the only material benefit because of this exemption will accrue to those corporations or other borrowers who are able, through their relations with the officials of the institutions, to do business with them and save the tax, and there

can be no legal or moral reason for an exemption from which there could possibly flow such a preference.

If there could be a legal exemption from taxation of the man who has but small savings, one which could fairly tend to his thrift and uplift, your Committee would be only too glad to make a recommendation to that end, and in that spirit have elsewhere suggested the adoption of a Constitutional Amendment which will, if adopted, secure such a result (see page 150).

As this Act of May 1, 1909, P. L. 298, serves no useful purpose its repeal is recommended, and a draft of an Act therefor is herewith submitted (see page 176).

It may be well to call attention to the evils attendant upon the accumulations of reserve and surplus in institutions of this sort, and of insurance companies. This subject was very thoroughly exposed in the investigation of the New York insurance companies in 1905; and the opportunities given to their managers for profit through the wielding of such sums, even in investing them with perfect safety. All the profits of our savings funds should go to depositors. But the margin between the rate of interest on investments and the rate paid depositors, permits the accumulation of a surplus, laid away under the guise of providing for the unlikely contingencies of a remote day, far beyond what appears to your Committee to be the necessity of the case. No case of actual abuse yet appears, but the best safety lies in fear, and your Committee will be gratified if their further investigations find a way of limiting these funds.

AN ACT TO REPEAL AN ACT ENTITLED "AN ACT TO AMEND THE FIRST SECTION OF AN ACT, ENTITLED 'A FURTHER SUPPLEMENT TO AN ACT, ENTITLED "AN ACT TO PROVIDE REVENUE BY TAXATION," APPROVED THE SEVENTH DAY OF JUNE, ANNO DOMINI ONE THOUSAND EIGHT HUNDRED AND SEVENTY-NINE,' APPROVED THE FIRST DAY OF JUNE, ONE THOUSAND EIGHT HUNDRED AND EIGHTY-NINE, AS AMENDED BY AN ACT APPROVED THE EIGHTH DAY OF JUNE, ANNO DOMINI ONE THOUSAND EIGHT HUNDRED AND NINETY-ONE, ENTITLED 'AN ACT TO PROVIDE INCREASED

REVENUES FOR THE PURPOSE OF RELIEVING THE BURDENS OF LOCAL TAXATION, BEING SUPPLEMENTARY TO AN ACT, ENTITLED "AN ACT TO PROVIDE REVENUE BY TAXATION," APPROVED THE SEVENTH DAY OF JUNE, ANNO DOMINI ONE THOUSAND EIGHT HUNDRED AND SEVENTY-NINE, AMENDING THE FIRST, FOURTEENTH, SIXTEENTH, TWENTIETH, TWENTY-FIRST, TWENTY-FIFTH, AND TWENTY-SIXTH SECTIONS OF AN ACT SUPPLEMENTARY THERETO, WHICH BECAME A LAW ON THE FIRST DAY OF JUNE, ANNO DOMINI ONE THOUSAND EIGHT HUNDRED AND EIGHTY-NINE, ENTITLED 'A FURTHER SUPPLEMENT TO AN ACT, ENTITLED "AN ACT TO PROVIDE REVENUE BY TAXATION," APPROVED THE SEVENTH DAY OF JUNE, ANNO DOMINI ONE THOUSAND EIGHT HUNDRED AND SEVENTY-NINE,' AND PROVIDING FOR GREATER UNIFORMITY OF TAXATION BY TAXING ALL OF THE PROPERTY OF CORPORATIONS, LIMITED PARTNERSHIPS, AND JOINT STOCK ASSOCIATIONS HAVING CAPITAL STOCK, AT THE RATE OF FIVE MILLS ON EACH DOLLAR OF ITS ACTUAL VALUE, BY RELIEVING AND EXEMPTING FROM THE PROVISIONS THEREOF SAVINGS INSTITUTIONS HAVING NO CAPITAL STOCK," APPROVED MAY 1, 1909.

SECT. 1. Be it enacted, etc., That an Act entitled "An Act to amend the first section of an Act, entitled 'A further supplement to an Act, entitled "An Act to provide revenue by taxation," approved the seventh day of June, Anno Domini one thousand eight hundred and seventy-nine,' approved the first day of June, one thousand eight hundred and eighty-nine, as amended by an Act approved the eighth day of June, Anno Domini one thousand eight hundred and ninety-one, entitled "An Act to provide increased revenues for the purpose of relieving the burdens of local taxation, being supplementary to an Act entitled 'An Act to provide revenue by taxation,' approved the seventh day of June, Anno Domini one thousand eight hundred and seventy-nine, amending the first, fourteenth, sixteenth, twentieth, twenty-first, twenty-fifth, and twenty-sixth sections of an Act supplementary thereto, which became a law on the first day of June, Anno Domini one thousand eight hundred and eighty-nine, entitled 'A further supplement to an Act, entitled "An Act to provide revenue by taxation,' approved the seventh day of June, Anno Domini one thousand eight hundred and seventy-nine," and providing for greater uniformity of taxation by taxing all of the property of corporations, limited partnerships, and joint stock associations having capital stock, at the rate of five mills on each dollar of its actual value," by relieving and exempting from the provisions thereof savings institutions having no capital stock," approved May 1, 1909, be, and the same is hereby repealed.

CAPITAL STOCK TAX ON MANUFACTURING CORPORATIONS.

There is a very general feeling throughout the State, to which the Pennsylvania State Grange gave particularly forceful expression, that manufacturing corporations, like other corporations, should pay tax upon the capital stock. This tax is imposed on the value of the assets as represented by the capital stock, but as it is not imposed upon other similar non-corporate assets, it is in effect a tax on the privilege of existing as a corporation. These corporations share, with others, this governmental privilege. The only ground for the exemption is the supposed encouragement that has thus been given to the location of manufacturing industries within the State. Primarily, however, the location of a manufacturing plant will depend upon the nearness to source of supply or to markets, or to supply of labor or the like, and the imposition of the tax, while a material element, is a minor one. Pennsylvania and New York alone treat manufacturing corporations differently from other general business corporations with respect to State taxes, and the pre-eminence of these States in that regard is largely due to natural advantages. New York exempts only those corporations which employ 40 per cent. of their capital in manufacturing within the State. Even a manufacturing State like Massachusetts does not so favor them. From the expression of opinions before it, your Committee believes that manufacturers themselves feel that as they have been exempt from 1885 on the theory of "infant industries," a small tax would be now not an appreciable burden. In order, however, that there need be no sudden readjustment of the conditions under which the manufacturer may conduct his business, in competition with like activities in other States, the tax ought to be a small one.

A change in the subject of taxation is often more op-

pressive than an existing unjust tax, because the incidence of the tax has been determined, consciously or unconsciously, and allowance for it has been made.

The capital stock of manufacturing corporations doing business in this State in 1905 (the last estimate available), amounted to \$1,600,000,000, now, probably, \$2,000,000,000. A tax of one mill on this latter amount would yield to the State the substantial sum of \$2,000,000 per year, and your Committee recommends that it be laid.

A draft of an Act to accomplish this result is herewith submitted (see page 181).

By the same Act your Committee proposes to stop a gap in the existing law which the Legislature of 1907 made a possibly ineffectual attempt to fill. Companies doing an insurance business, as well as a general trust company business—notably the Provident Life and Trust Company, of Philadelphia—hold certain investments for their insurance department reserves. It was first decided at the suit of this company that these assets should not be reckoned as part of the capital stock, as they did not belong to the stockholders. (Com. vs. Provident Life and Trust Co., 9 District Rep. 479.) It was then attempted to impose the four mills tax on money at interest upon these assets; but this was successfully resisted on the ground that they were owned by the company in its own right and not as trustee for its policy holders, and hence exempt from the four mills tax, under the express wording of the Act of 1891, imposing the capital stock tax. (Provident Life and Trust Co. vs. Durham, 212 Pa. 68) Accordingly the Act of 1907, P. L. 430, declared that the exemption should not extend to securities in which the stockholders did not have the entire equitable interest, thus attempting to exclude the shadowy borderland within which these \$30,000,000 of assets fell.

But in giving a title to this Act a mistake was made. In the body of the Act the section intended to be amended was correctly quoted, and in the marginal note to the

Pamphlet Laws it is correctly called the Act of 1893. But in the title, the Act to be amended is called the Act of June 27, 1879. The parent Act of all this series is an Act of 1879, which has long since been superseded. But it is the Act of June 7, not June 27. In spite of this the Court of Common Pleas No. 2, of Philadelphia, has decided that the assets in question (now amounting to fifty million dollars) do not come within the wording, at the same time declaring the title correct. Your Committee would recommend an alteration in the wording of the Act as in the draft submitted herewith, and also a correction of the title to meet a possible adverse decision by the Supreme Court, where the case is now on appeal.

Capital stock not invested in manufacturing is taxed at five mills, as heretofore.

ARTIFICIAL GAS COMPANIES.

Since the exemption of manufacturing companies from capital stock tax by the original Act of 1885 imposing this species of tax, gas companies have been exempt on the ground that they were manufacturing companies. *Commonwealth vs. Allegheny Gas Co.*, 1 Dauph. 93; *Commonwealth vs. Chester Gas Co.*, 5 Dauph. 121. At the same time it was held that their competitors, the electric light companies, were subject to this tax. *Commonwealth vs. Northern Electric Light and Power Company*, 145 Pa. 105. By the Act of 1889, the electric light companies were also subjected to the tax of eight mills on the gross receipts, which is laid on transportation companies of various sorts. As a result, the gas companies, many of which have a local monopoly unlike the electric light companies, are free from two taxes which their competitors bear. Your Committee is of opinion that the imposition of both these taxes on gas companies would equalize taxes on concerns which are legitimate competi-

tors of one another, and at the same time would secure a substantial item of revenue. As long as the expense of electric light continues greater, and with the increased use of gas as domestic fuel, these companies will continue to thrive. The local monopoly given them by law makes them (like coal) a natural subject of taxation.

In the draft of the Act imposing capital stock tax on manufacturing corporations (see page 181) there has therefore been inserted, also, appropriate words to impose on artificial gas companies the regular capital stock tax of five mills.

An amendment to the Act of 1889, imposing the gross receipts tax on these companies, is also submitted herewith (see page 183).

AN ACT TO FURTHER AMEND SECTION TWENTY-ONE OF AN ACT ENTITLED "A FURTHER SUPPLEMENT TO AN ACT ENTITLED 'AN ACT TO PROVIDE REVENUE BY TAXATION,' APPROVED THE SEVENTH DAY OF JUNE, ANNO DOMINI ONE THOUSAND EIGHT HUNDRED AND SEVENTY-NINE," APPROVED JUNE 1, 1889.

SECT. 1. Be it enacted, etc., That Section 21 of an Act entitled "A further supplement to an Act entitled 'An Act to provide revenue by taxation,' approved the seventh day of June, Anno Domini one thousand eight hundred and seventy-nine," approved June 1, 1889, which as heretofore amended reads as follows:

"SECT. 21. That every corporation, joint stock association, limited partnership and company whatsoever, from which a report is required under the twentieth section hereof, shall be subject to and pay into the Treasury of the Commonwealth, annually, a tax at the rate of five mills upon each dollar of the actual value of its whole capital stock of all kinds, including common, special and preferred, as ascertained in the manner prescribed in said twentieth section, and it shall be the duty of the treasurer or other officers having charge of any such corporation, joint stock association or limited partnership, upon which a tax is imposed by this section, to transmit the amount of said tax to the Treasury of the Commonwealth within thirty days from the date of settlement of the account by the Auditor General and State Treasurer: Provided, That for the purposes

of this Act, interests in limited partnerships or joint stock associations shall be demed to be capital stock and taxable accordingly: Provided also, That corporations, limited partnerships and joint stock associations, liable to tax on capital stock under this section, shall not be required to make any report or pay any further tax on mortgages, bonds and other securities owned by them in their own right; but corporations, limited partnerships and joint stock associations holding such securities as trustees, executors, administrators, guardians, or in any other manner, shall return and pay the tax imposed by this Act upon all securities so held by them as in the case of individuals: And Provided Further, That the provisions of this section shall not apply to the taxation of so much of the capital stock of corporations, limited partnerships or joint stock associations, organized for manufacturing purposes, which is invested in and actually and exclusively employed in carrying on manufacturing within the State, except companies engaged in the brewing or distilling of spirits or malt liquors and such as enjoy and exercise the right of eminent domain; but every manufacturing corporation, limited partnership or joint stock association shall pay the State tax of five mills herein provided, upon such proportion of its capital stock, if any, as may be invested in any property or business not strictly incident or appurtenant to its manufacturing business, in addition to the local taxes assessed upon its property in the districts where located, it being the object of this proviso to relieve from State taxation only so much of the capital stock as is invested purely in the manufacturing plant and business: Provided further, In case of fire or marine insurance companies the tax imposed by this section shall be at the rate of three mills on each dollar of the actual value of the whole capital stock," be and the same is hereby amended so as to read as follows:

SECT. 21. That every corporation, joint stock association, limited partnership, and company whatsoever, from which a report is required under the twentieth section hereof, shall be subject to and pay into the Treasury of the Commonwealth, annually, a tax at the rate of five mills upon each dollar of the actual value of its whole capital stock of all kinds, including common, special and preferred, as ascertained in the manner prescribed in said twentieth section; and it shall be the duty of the treasurer or other officers having charge of any such corporation, joint stock association, or limited partnership, upon which a tax is imposed by this section, to transmit the amount of said tax to the Treasury of the Commonwealth within thirty days from the date of the settlement of the account by the

Auditor General and the State Treasurer: Provided, That for the purpose of this Act, interests in limited partnerships or joint stock associations shall be deemed to be capital stock, and taxable accordingly: Provided also, That corporations, limited partnerships, and joint stock associations, liable to tax on capital stock under this section, shall not be required to pay any further tax on the mortgages, bonds, and other securities owned by them, *which form part of its capital stock surplus and undivided profits belonging to the whole body of stockholders or members as such*; but corporations, limited partnerships, and joint stock associations, *owning or holding such securities as trustees, executors, administrators, guardians, or in any other manner than as aforesaid*, shall return and pay the tax imposed by this Act upon all securities so owned or held by them, as in the case of individuals; *And Provided Further, That the capital stock of corporations, limited partnerships and joint stock associations organized for manufacturing purposes which is invested in and actually and exclusively employed in carrying on manufacturing within the State, except companies engaged in the brewing or distilling of spirits or malt liquors, and the manufacture of artificial gas, and such as enjoy and exercise the right of eminent domain, shall be taxed at the rate of one mill upon each dollar of the actual value thereof; but so much thereof as may be invested in any property or business not strictly incident or appurtenant to its manufacturing business shall be taxed at the rate of five mills upon each dollar of the actual value thereof*: Provided further, In case of fire and marine insurance companies, the tax imposed by this section shall be at the rate of three mills upon each dollar of the actual value of the whole capital stock.

AN ACT TO AMEND SECTION TWENTY-THREE OF AN ACT ENTITLED "A FURTHER SUPPLEMENT TO AN ACT ENTITLED 'AN ACT TO PROVIDE REVENUE BY TAXATION,' APPROVED THE SEVENTH DAY OF JUNE, ANNO DOMINI ONE THOUSAND EIGHT HUNDRED AND SEVENTY-NINE," APPROVED JUNE 1, 1889.

SECT. 1. Be it enacted, etc., That Section 23 of an Act entitled "A further supplement to an Act entitled 'An Act to provide revenue by taxation, approved the seventh day of June, Anno Domini one thousand eight hundred and seventy-nine," approved June 1, 1889, which read as follows:

SECT. 23. That every railroad company, pipe line company, conduit company, steamboat company, canal company, slack water navigation company, transportation company, street passenger railway company, and every other company, joint stock association or limited partnership, now or hereafter incorporated or organized by or under any law of this Commonwealth, or now or hereafter organized or incorporated by any other State or by the United States or any foreign Government, and doing business in this Commonwealth, and owning, operating or leasing to or from another corporation, company, association, joint stock association or limited partnership, any railroad, pipe line, slack water navigation, street passenger railway, canal or other device for the transportation of freight or passengers or oil, and every telephone or telegraph company incorporated under the laws of this or any other State of the United States and doing business in this Commonwealth, and every express company, incorporated or unincorporated, doing business in this Commonwealth, and every firm, co-partnership or joint stock company or association doing express business in this Commonwealth, and every electric light company, and every palace car and sleeping car company, incorporated or unincorporated, doing business in this Commonwealth, shall pay to the State Treasurer a tax of eight mills upon the dollar upon the gross receipts of said corporation, company or association, limited partnership, firm or co-partnership, received from passengers and freight traffic transported wholly within this State, and from telegraph, telephone or express business done wholly within this State, or from business of electric light companies and from the transportation of oil done wholly within the State; the said tax shall be paid semi-annually upon the last days of January and July in each year; and for the purpose of ascertaining the amount of the same it shall be the duty of the treasurer or other proper officers of the said company, firm, co-partnership, limited partnership, joint stock association or corporation to transmit to the Auditor General a statement, under oath or affirmation, of the amount of gross receipts of the said companies, co-partnerships, corporations, joint stock associations, or limited partnerships derived from all sources and of gross receipts from business done wholly within the State, during the preceding six months ending on the first days of January and July in each year; and if any such company, firm, co-partnership, joint stock association, association or limited partnership or corporation, shall neglect or refuse for a period of thirty days after such tax becomes due to make said returns or to pay the same, the amount thereof, with an addition of ten per

centum thereto, shall be collected for the use of the Commonwealth as other taxes are recoverable by law: Provided, That in any case where the works of one corporation, company, joint stock association or limited partnership are leased to and operated by another corporation, company, association or limited partnership, the taxes imposed by this section shall be apportioned between the said corporations, companies, associations or limited partnerships in accordance with the terms of their respective leases or agreements, but for the payment of the said taxes the Commonwealth shall first look to the corporation, company, association or limited partnership operating the works, and upon payment by the said company, corporation, association or limited partnership of a tax upon the receipts as herein provided derived from the operation thereof, the corporation company, joint stock association, or limited partnership from which the said works are leased, shall not be held liable under this section for any tax upon the proportion of said receipts received by it as rental for the use of said works."

be and the same is hereby amended to read as follows:

SECT. 23. That every railroad company, pipe line company, conduit company, steamboat company, canal company, slack water navigation company, transportation company, street passenger railway company, and every other company, joint stock association or limited partnership, now or hereafter incorporated or organized by or under any law of this Commonwealth, or now or hereafter organized or incorporated by any other State or by the United States or any foreign Government, and doing business in this Commonwealth, and owning, operating, or leasing to or from another corporation, company, association, joint stock association or limited partnership, any railroad, pipe line, slack water navigation, street passenger railway, canal or other device for the transportation of freight or passengers or oil, and every telephone or telegraph company incorporated under the laws of this or any other State or of the United States and doing business in this Commonwealth, and every express company, incorporated or unincorporated, doing business in this Commonwealth, and every firm, co-partnership, or joint stock company or association doing express business in this Commonwealth, and every electric light company, *and every artificial gas company*, and every palace car and sleeping car company, incorporated or unincorporated, doing business in this Commonwealth, shall pay to the State Treasurer a tax of eight mills upon the dollar upon the gross receipts of said corporation, company or association, limited partnership, firm or co-

partnership, received from passenger and freight traffic transported wholly within this State, and from telegraph, telephone or express business done wholly within this State, or from business of electric light companies, *or from business of artificial gas companies*, and from the transportation of oil done wholly within the State; the said tax shall be paid *annually* in the month of January of each year for the last preceding calendar year; and for the purpose of ascertaining the amount of the same, it shall be the duty of the Treasurer or other proper officer of the said company, firm, co-partnership, limited partnership, joint stock association or corporation, to transmit to the Auditor General a statement, under oath or affirmation, of the amount of gross receipts of the said companies, co-partnerships, corporations, joint stock associations or limited partnerships derived from all sources, and of gross receipts from business done wholly within the State, during the preceding *calendar year*, and if any such company, firm, co-partnership, joint stock association, or limited partnership or corporation, shall neglect or refuse for a period of thirty days after such tax becomes due, to make said returns or to pay the same, the amount thereof with an addition of ten per centum thereto, shall be collected for the use of the Commonwealth as other taxes are recoverable by law: Provided, That in any case where the works of one corporation, company, joint stock association or limited partnership are leased to and operated by another corporation, company, association or limited partnership, the taxes imposed by this section shall be apportioned between the said corporations, companies, associations or limited partnerships in accordance with the terms of their respective leases or agreements, but for the payment of the said taxes the Commonwealth shall first look to the corporation, company, association or limited partnership operating the works, and upon payment by the said company, corporation, association or limited partnership of a tax upon the receipts as herein provided derived from the operation thereof, the corporation, company, joint stock association or limited partnership from which the said works are leased, shall not be held liable under this section for any tax upon the proportion of said receipts received by it as rental for the use of said works."

LOCAL REAL ESTATE OF PUBLIC SERVICE CORPORATIONS.

By existing laws the real estate of railroad and other public service corporations which is necessary to their operation is not taxable locally, as other real estate. So far as the actual right of way of a railroad is concerned, this policy is unquestionably sound. The value of such a right of way is not the same as that of another piece of real estate of equal area. It is part of an integral system stretching in many cases across the State, and the valuation of a comparatively small section of it is not only beyond the capacity of the local assessor, but would result in unavoidable inequality and injustice in the conflict between various localities. For this reason other States which permit such a taxation also have machinery by means of State Boards of Equalization, which we have not, and the like, for adjusting the valuation among the several communities. This system has been the subject of much friction and litigation.

In Philadelphia and Pittsburgh, however, by virtue of special Acts of long standing the real estate of railroads, which is not part of the right of way (except water stations in Philadelphia), has been subject to local taxation. The consequence is that such structures as passenger and freight depots, coal tipples, office buildings and the like, which can easily be valued as pieces of real estate, with the improvements thereon, apart from their connection with the actual line of tracks, have been taxed for general governmental purposes, and also for municipal improvements.

Under the present construction, the law universally permits local taxation of such property which is remote from and disconnected with the operation of the road. The same rule has been extended to gas, water, electric, bridge and numerous other public service corporations, and so

far as concerns pipes, mains, wires, bridge structures and the like, your Committee feels that it should be maintained for the same reason.

Even the exemption of pieces of real estate which might stand alone, such as power houses and railroad stations, is attended with difficulty because a large part of their value depends on their connection with the system, and standing alone they may be worth little more than the ground.

Your Committee feels that the whole subject is attended with such difficulties of practical administration, when their great hope has been to reduce those difficulties, that they do not recommend any change in this regard at present. Other States and the United States are considering this matter. It would be better to get the full result of their deliberations and experience before moving ourselves. At the same time, an Act which it is believed would accomplish the change is submitted herewith, with a note giving the history of the law and the reason for the language used, if the Legislature deem the change desirable and practical.

AN ACT TO RAISE REVENUE BY SUBJECTING TO TAXATION CERTAIN REAL ESTATE NOT HERETOFORE TAXABLE AS SUCH, OF RAILROAD COMPANIES, STREET RAILWAY COMPANIES, CANAL COMPANIES, BRIDGE COMPANIES, GAS COMPANIES, PIPE LINE COMPANIES, FERRY COMPANIES, ELECTRIC LIGHT, HEAT AND POWER COMPANIES, WATER COMPANIES, TELEGRAPH COMPANIES, TELEPHONE COMPANIES, EXPRESS COMPANIES, AND OTHER PUBLIC SERVICE CORPORATIONS OF THE SAME OR OTHER KINDS.

SECT. 1. Be it enacted, etc., That all real estate of railroad companies, street railway companies, canal companies, bridge companies, gas companies, pipe line companies, ferry companies, electric light, heat and power companies, water companies, telegraph companies, telephone companies, express companies, and other public service corporations of the same or other kinds, which has not heretofore been taxable as such, except

the right of way, road bed and superstructure of railroad companies, the tracks and right of way of street railway companies the bed, berme-bank and tow path of canal companies, such portion of the bridges of bridge companies as may be necessary to span the gap, the pipes or mains of gas companies and pipe lines companies, the poles and wires of electric light, heat and power companies, telegraph companies and telephone companies, and the pipes or conduits of water companies, is hereby made subject to taxation by counties, cities, boroughs, townships, school districts and other municipal corporations, the same as other real estate.

SECT. 2. All Acts or parts of Acts, general, special or local, inconsistent herewith, be and the same are hereby repealed.

NOTE.

By the long settled construction of the laws of the Commonwealth (particularly the Acts of 1834 and 1844), that part of the real estate of railroads which was indispensable to the proper exercise of the corporate franchises, or reasonably necessary to the business of the corporation and which constitutes a part of its corporate machinery, was not taxable locally, because it entered into the value of its franchises as a whole and was taxable as such. Numerous decisions have pretty well settled what was and what was not within this principle. By these decisions practically the only property outside of Philadelphia and Pittsburgh subject to taxation for local purposes was shops for original construction of rolling stock, warehouses, coal yards, coal chutes, wood yards, houses used for boarding employes and buildings remote from the right of way used as general offices. By the Act of April 21, 1858, P. L. 385, Section 1, applying only to Philadelphia, "the offices, depots, car houses and other real property of railroad corporations the superstructure of the road and water stations only excepted," were subjected to City taxation. An Act applying only to Pittsburgh did the like for all "real estate" in the city. Act of January 4, 1859, P. L. 828, Sec. 3. In construing the Philadelphia Act it has been held to exempt only the "road bed" or "right of way" under the word "superstructure," and all else, except water stations specifically mentioned, is liable for municipal assessment as well as taxes proper. *Philadelphia vs. P. & R. R. Co.*, 177 Pa. 292. Accordingly the words so used are adopted by the proposed Act in order that the settled construction may be applied to the great variety of circumstances which may arise under the new law.

The same rule with respect to the taxation of the real estate of railroad companies has been held to apply to street railway companies, canal companies, bridge companies, gas and pipe line companies, electric light, heat and power companies, and water companies, and the real estate which has been deemed necessary

to the proper exercise of their corporate franchises has been exempted from local taxation. Such exempted property included practically all the real estate of these companies, and the only real estate taxable was such as may be disconnected with the actual operation of the plant or property, as, for example, residences of officials or employes, mountain lands of water companies, tanks of pipe line companies, etc. Under the Act as prepared a great deal of the property of these companies will be taxable, such as car barns of street railway companies, power houses of electric light companies, gas plants of gas companies, reservoirs of water companies, etc., and only the property specifically mentioned, such as rights of way, poles, wires, pipes, conduits, tracks, etc., will be exempt.

(D) COLLECTION OF REVENUE.

One of the most striking features of our present system of taxation is the much greater relative efficiency of the collection of taxes as compared with other States. The State taxes, such as collateral inheritance taxes, capital stock taxes and gross receipts taxes, are easy to get at because either the subjects of taxation are matters of inevitable public record, or the corporations paying the tax are compelled to record themselves in order to preserve their legal existence; and each individual taxable is therefore within reach of the Auditor General's office so that it may be compelled to render an account.

The principal exception is to be found in foreign corporations, and the foreign corporation law, herein suggested (page 16), will tend to force these to register in greater numbers than before. The greater powers of investigation given to the Auditor General by other Acts which your Committee recommends will also aid in this regard.

Another possible exception is found in those corporations which are chartered by the courts and are only required to record their charters locally. While most of these are not for profit (and are so classed in the books), yet some may engage in business occupations—as for example, baseball and exhibition companies—and these are now required by law to register with the Auditor General. But it is not necessary to their existence that they should do so. If the granting of a charter is reported by the Prothonotary of the court to the Auditor General—a means of checking like the report of judgments and mortgages recorded—the information will be in the hands of the State authorities and a means of compelling reports can

be found. A draft of an Act to this end is herewith submitted (See page 193).

The same observations apply to the tax on corporate loans where the treasurer of the corporation is made the assessor and collector, although it is really a tax on the creditor of the corporation. He is required to deduct the tax from the interest paid the creditor, and the corporation is liable personally for his doing so. The same is done by treasurers of municipalities and the like who have no interest to fail in their duty. The law intends, under the name of "incorporated districts," that school districts should also make this return, and the Attorney General has so ruled (35 Pa. County Ct. Rep. 606). The Auditor General had not previously required this, and the reports are not even now actually made. To avoid misunderstandings by officials and tax payers an amendment to the law expressly including them is herewith submitted (see page 193). Even the dealer who pays a mercantile license tax is more within the reach of taxing officials than the ordinary tax payer because he must make himself known to the world, and his transactions are matters of record because of the necessities of his business.

In the matter of the general tax on certain personal property, the success of Pennsylvania has been so great as to win the praise of economists. Prof. Charles J. Bullock, of Harvard University, addressing the second International Tax Conference at Ontario, Canada, says of Pennsylvania: "The success achieved with imperfect laws and methods of administration has been little short of surprising, and should lead the candid student to revise his ideas of the impossibility of taxing intangible wealth."

But the imperfections which do exist are the same in kind as elsewhere. They are only less in degree. Your Committee has therefore given special consideration to this subject.

AN ACT PROVIDING FOR THE REPORT TO THE AUDITOR GENERAL BY THE PROTHONOTARIES OF THE COURTS OF COMMON PLEAS OF CORPORATIONS INCORPORATED BY SUCH COURTS.

SECT. 1. Be it enacted, etc., That the Prothonotary of each Court of Common Pleas in this Commonwealth shall report to the Auditor General each month the names of the corporations incorporated by the said Court, with the names and addresses of the directors thereof, and for so doing shall receive a fee of one dollar from each of such corporations.

AN ACT AMENDING SECTION FOUR OF AN ACT ENTITLED "AN ACT IMPOSING ADDITIONAL TAXES FOR STATE PURPOSES AND TO ABOLISH THE REVENUE BOARD," APPROVED THE THIRTIETH DAY OF APRIL, A. D. 1864.

SECT. 1. Be it enacted, etc., that Section 4 of an Act entitled "An Act imposing additional taxes for State purposes and to abolish the revenue board," approved the thirtieth day of April, A. D. 1864, which reads as follows:

"SECT. 4. That the Treasurer of each County and City, the burgess, or other chief officer, of each incorporated district, or borough of this Commonwealth, within ninety days after the passage of this Act, shall make return, under oath or affirmation, to the Auditor General, of the amount of scrip, bonds or certificates of indebtedness, outstanding by said county, city, district, borough or incorporation, as the same existed on the first day of January, one thousand eight hundred and sixty-four, and of each succeeding year thereafter, together with the rates of interest thereon, at each of those periods, under the penalty of five thousand dollars, the amount to be settled by the Auditor General, and the amount thereof sued for, and collected, as debts due by defaulting public officers are collected; Provided, That on the receipt of said returns, the Auditor General shall proceed to settle the accounts of each county, city and borough with the Commonwealth, fix the State tax due, and unpaid, and transmit notice of the amount, by mail, to officers making said returns; and that if the amount so found due shall not be paid within sixty days, the Attorney General shall sue and collect the same, with interest, from the date of such settlement; and hereafter it shall be the duty of the treasurer, of every county, city, borough and incorporated district, in this Commonwealth, to deduct the said State tax, on payment of any interest, or divi-

dend, on debts due by the county, city, borough, or incorporated district, and pay the same over to the State Treasurer, within thirty days after the said interest, or dividend has fallen due."

Be and the same is hereby amended so as to read as follows:

SECT. 4. That the treasurer of each *school district*, county and city, the burgess or other chief officer of each incorporated district or borough of this Commonwealth, within ninety days after the passage of this Act, shall make return, under oath or affirmation, to the Auditor General, of the amount of scrip, bonds, or certificates of indebtedness, outstanding by said county, city, *incorporated district*, *school district*, borough, or incorporation, as the same existed on the first day of January, one thousand eight hundred and sixty-four, and of each succeeding year thereafter, together with the rates of interest thereon, at each of those periods, under the penalty of five thousand dollars, the amount to be settled by the Auditor General, and the amount thereof sued for, and collected, as debts due by defaulting public officers are collected; Provided, that on the receipt of said returns, the Auditor General shall proceed to settle the accounts of each county, city, *incorporated district*, *school district* and borough with the Commonwealth, fix the State tax due, and unpaid, and transmit notice of the amount, by mail, to officers making said returns; and that if the amount, so found due shall not be paid within sixty days, the Attorney General shall sue and collect the same, with interest, from the date of such settlement; and hereafter, it shall be the duty of the treasurer of every county, city, borough, *school district* and incorporated district, in this Commonwealth, to deduct the said State tax, on payment of any interest, or dividend, on debts due by the county, city, borough, *school district*, or incorporated district, and pay the same over to the State Treasurer within thirty days after the said interest, or dividend, has fallen due.

COLLECTION OF PERSONAL PROPERTY TAX.

In the reports of all tax commissions and in the discussion of all tax reform associations, the most popular subject, and the one upon which there is the most universal agreement, is the difficulty of collecting the personal property tax. This tax has existed in most States (unlike Pennsylvania), in the form of a constitutional requirement of a uniform tax on all personal property according to value. The exemption of property difficult to reach was therefore impossible, and theoretically every chattel and every credit was taxed. Owing to the possibility of concealing personal property human nature has not resisted the temptation to do so, and the collection of the tax has in these other States been an utter failure not yielding a tithe as much as is yielded by the tax on real estate, although the known value of personal property is much greater. The success of Pennsylvania is largely owing to the wisdom of that constitutional provision which permits the Legislature to single out for taxation such classes of personal property as it desires. For many years a tax has been more or less successfully collected in Pennsylvania directly from the taxpayer on what might be described generally as moneyed investments, these being specified by the statute as mortgages, notes, bonds, judgments, public loans, corporate bonds, accounts bearing interest and the like. By reason of a system whereby the Recorder of Deeds reports to the local assessors all mortgages recorded, and the Prothonotary all judgments, this class of securities is generally reached by the assessors and taxed. Real estate is successfully taxed because it is visible.

But a large part of the money at interest intended to be taxed is not reached, because there is no source of information except the honesty of the person making the return; and this universal experience proves to be in-

sufficient. Stocks and loans of foreign corporations held by residents, and money invested abroad, on mortgage, for example, come within this class, and your Committee does not present any method for checking the returns in this regard, except by an increase of the investigating powers of the Auditor General as hereinafter discussed.

The class of investment represented by deposits in our banking institutions of all kinds which bear interest can be reached in the same way as corporate loans to residents of Pennsylvania, to wit, by compelling the bank, trust company, savings institution or other depository to assess and pay the tax, deducting it from the interest credited to the deposit; and this method has been strongly urged. It is the intention of the present laws that these moneys should be taxed so that no greater hardship will be experienced by the taxpayer, and a more efficient collection insured. The amount of deposits in State banking institutions on November 6, 1909, was as follows:

Saving institutions:

Deposits subject to check	\$ 1,531,616.07
Deposits on time	165,536,528.65

State banks:

Deposits subject to check	40,170,050.96
Deposits on time	74,029,894.92
Demand certificates of deposit	634,601.39
Time certificates of deposit	8,374,210.64
Saving fund deposit	3,055,517.56

Trust companies:

Deposits subject to check	268,611,490.03
Demand certificates of deposit	4,363,031.11
Deposits, special time	29,445,720.86
Time certificates of deposit	29,754,707.11
Deposits, saving fund	73,266,543.83

Total\$698,773,913.13

As all of these, except some of the check accounts in banks outside of the large cities, draw interest, a tax of four mills would realize a sum approaching \$2,795,095.65

The best information to your Committee is that there is reported for taxation less than one-tenth of the moneys on deposit in the institutions above mentioned. The fact is that taxables have been informed by the taxing officials that such moneys are not within the law.

Such a system was actually provided by the old Act of April 30, 1864, P. L. 218, which first extended to corporations the method of tax collection theretofore employed with regard to municipal loans. It mentioned specifically interest paid to depositors as well as to bond-holders.

There are also to be considered deposits in National Banks in Pennsylvania which amounted, on September 1, 1910, to \$675,173,053.00, but not much of which bears interest, and the Postal Savings Banks recently authorized by Congress.

The applicability of the law to these institutions created by the United States must be very doubtful. An Act of Congress (Revised Statutes, Section 5219), permits State taxation of the shares of National Bank stock in the names of the share-holders. Without permission it could not be done. The permission is so worded that it would probably not extend to deposits, and while the tax on deposits is not a tax on the bank, the imposition of the duty of assessing and collecting would be a burden which would interfere to some extent with its operations and with its attractiveness to customers. The Postal Savings Bank accounts are to draw 2 per cent. interest. As they would easily escape taxation by the failure of the depositor to return them they would have a great advantage over State institutions paying nominally 2 per cent., but really 1 6/10 per cent. because as to their depositors the tax would be enforced. The result, therefore, would bear hard upon the State institutions.

The principal reason moving your Committee to reject

the proposition in its present form is the real injustice of the tax as now laid as applied to moneys on deposit. The tax is one of four mills on the property of the depositor. This is not burdensome as to securities where the rate is 5 per cent. or even 4 per cent., but where it is below that, especially where it is as low as 2 per cent., the tax lops off a great part of the income derived. In fact, it operates unequally in that respect, although it seems never to have been attacked on that ground. Doubtless for this reason there has been such general acquiescence in the loose construction of the law which permits taxpayers to neglect to return these deposits for personal property tax. The same result has been reached in other States where all property is required to be taxed at the same rate and where the tax, if actually enforced, would eat up all the income. The fair method would be to impose a percentage tax upon the interest. Then the burden would be borne equally by all moneyed investments. The tax payer would not have the same excuse for evasion and an efficient method of administering the law would not cause such practical injustice. The adjustment of a proper percentage, however, depends upon accurate information as to the various classes of securities now making up the property on which the personal property tax is levied, the amount of each and the rate of interest of each class. This detailed information is not within the possession of the State's Departments and could only be got at by a prolonged research and tabulation in each of the counties. Returns are made to the Auditor General in a lump sum and even in the county the tax is assessed to each individual in the same way. The rates of interest likewise could only be ascertained by investigating the market. Your Committee has endeavored to obtain sufficient data upon which to base a recommendation as to the fair, proper percentage of interest to be charged. Each trust company, savings institution, bank or other depository in the State, upwards of twenty-three hundred in

number, was requested to furnish the requisite information and many did, others did not. It was impossible from the information received to form a proper conclusion. In this and similar efforts your Committee has been hampered by lack of appropriation and hence is unable to suggest the proper rate for this tax so as not to lessen the present revenue derived. They propose, however, if continued in their duties to make this a subject of investigation in the expectation that a satisfactory result can be attained.

The Pennsylvania State Grange made earnest representations to your Committee upon the difference between the amount of tax paid by real estate and that paid by personal estate and corporate property in proportion to the estimated value of each class of property. But they advisedly did not recommend the adoption of the discredited system that all classes of personal property be taxed, or that both real and personal property be taxed at the same rate. Such a system, or lack of system, results in even greater injustice to real estate because by reason of the escape of personal property, the real estate bears the burden in fact, though it is not intended to do so in theory. The best system of taxation is that where fact and theory most closely coincide, because property values then adjust themselves to a known rate of taxation which is actually collected. But where the tax on one class is not actually collected, the avoiding of taxes discriminates against the honest taxpayer and produces an uncertain effect with respect to the ultimate burden of the tax. It was testified by many of the witnesses before your Committee that residents of Philadelphia, for example, avoid personal property tax by claiming in Philadelphia that they reside in one of the counties in which her suburbs are located, and in that locality claiming that they live in Philadelphia, or by some influence or other entirely avoiding the visit or action of the local assessor. Your Committee is of opinion that the greater centralization of the assessment of this tax would result in its more efficient collection according to law, and that this is the result to be sought.

This subject is one which your Committee thinks should receive its principal attention if continued as hereinafter recommended.

The State Grange presented a suggestion that the State should "give the local Governments authority to tax personal and corporate property in each unit of Government."

To give local Governments authority to tax personal property would again be a reversal of the settled policy of the State which has worked so satisfactorily. Most of the States suffer severely as to matters of administration from the attempt to give local assessors and authorities the valuation of corporate franchises and other intangible property. This results either in gross injustice to the corporations, necessitating an elaborate system of adjustment by a State Board of Equalization; or more often an under-valuation through the influence they may exert on an irresponsible local assessor. California, for example, after investigation by a special and later by a permanent tax commission, has proposed an elaborate constitutional amendment to accomplish just what Pennsylvania has always done, to wit, commit the valuation of the State-wide property of the large public service corporations to officials with State-wide knowledge and power. So with regard to personal property in general. It has been the experience of all communities that this can best be done by State officials free from local influence and possessed of the utmost powers of investigation, and so far as it is now done by local assessors it is not done so thoroughly as it might be. This was practically the unanimous opinion of the county officials who appeared before the Committee. The under-paid, untrained local assessor depending for reelection on the votes of those whom he assesses has only the supposed advantage of greater knowledge of local conditions. Under the circumstances of modern life he will know comparatively little of his neighbors' affairs and will assess for the most part those with whom he has little if any acquaintance.

The Legislature of 1905 (P. L. 186), passed an Act giving the Auditor General large supervisory powers over local assessors with regard to the return of the personal property tax. This Act authorized the Auditor General to make a revised return of personal property tax for any taxable, when the local assessors, County Commissioners, or Board of Revision failed to do so. For this purpose he may examine the returns of mortgages recorded made by the Recorders of Deeds and of judgments made by the Prothonotary (which they are required to make to him also), and examine witnesses, etc. The County Commissioners and Boards of Revision are required to file with him duplicate returns of personal property tax made by them. The Auditor General may then enforce the collection and employ counsel if necessary.

With regard to the practical enforcement of this Act, the Auditor General found that his clerical force and appropriation were not sufficient to do the work, and the Attorney General advised him (see 31 Pa. County Court Rep. 249), that no attempt could be made to enforce it until an appropriation was made. In fact, the Auditor General advises your Committee that the present force of his office is inadequate for the work committed to it independent of that Act. One corporation tax clerk with the assistance of the Chief Clerk, is required to handle the whole matter of settling corporation taxes, which for the year ending November 30, 1909, amounted to \$17,256,332.25. This necessarily results in the unintentional evasion of taxes from mere lack of time for critical examination. It is quite impractical, for example, to make any investigation outside of the office, though the law authorizes it. A proper equipment would result in increased revenue many times its cost.

Your Committee accordingly recommends that the Auditor General be supplied with five additional clerks to attend to tax matters at salaries adequate to secure capable men, and a draft of an Act is submitted herewith. (See page 209).

The draft of another Act submitted below (see page 206) provides additional machinery by which the Auditor General, through expert accountants and counsel, as well as through the clerks regularly attached to his office, may investigate and supervise the return of the personal property tax along with property which should escheat and the like.

Quite as important is the investigation of corporations outside of the Auditor General's office in the field. This would include the searching out of corporations which make no report, and the investigation of the facts of reports.

These investigations would result in a very large amount of increased revenue, which has been estimated at \$5,000,000. A specific instance of failure by corporations to report their assets properly for capital stock tax, or at least to report it uniformly, was brought to the attention of your Committee in the matter of valuation of real estate. Some companies report their real estate at the value of the local assessment; some at the value at which they carry it upon their books; some which have buildings which are theoretically subject to depreciation, have charged off upon their books an arbitrary sum each year, so that the book value shows a very large loss, when the actual value may have appreciated. A notable instance is the new building of the Girard Trust Company in Philadelphia. This cost millions of dollars, and yet it has all been charged to profit and loss, and is in a way treated by the company as advertising. The structure, however, has an actual value, even though it be only the capitalized value of the advertising which accrues and should be included in any valuation of its assets. Yet the Auditor General for lack of facilities has no means of investigating all these innumerable cases and is forced to rely upon the face of the reports made to him by the corporations themselves.

There are now only four traveling auditors, whose time

is entirely taken up with investigating appropriations to charitable institutions and the accounts of county officers reporting to the Auditor General. This force should be largely increased.

Another Act forming part of the policy concentrating in the hands of the Auditor General the control of tax assessments is one submitted below (see page 209) which puts under the supervision of the Auditor General the bringing of suit for the personal property tax and giving a right to assess it in another year than that for which it is payable. The circumstances which make this Act advisable are more fully explained in a note appended to the Act, and it will correct what has been a very grave abuse in many cases which have not appeared in the reports. It was testified before your Committee by the Chairman of the Board of Revision of Taxes in Philadelphia that at least one case had occurred where a citizen had for years made a false return. It only appeared when his estate was inventoried at his death. On his heirs being confronted with the false statements which he had made they voluntarily paid hundreds of thousands of dollars in taxes rather than have this conduct brought to light.

Although there are severe penalties for the taxable who makes a false return and for the assessor who connives at it, it is remarkable that there has never been a prosecution for either of these offenses. There can be no doubt that false returns are made, known to be such by the assessor. If the officials would prosecute the offenders a substantial increase of revenue would result, and those who honestly bear the burden would be better satisfied. In all of the discussions before your Committee the principal objection to any of our tax laws was inequality in enforcement. President Hadley is quoted as saying, (and it expresses a great deal of sound tax economics) :

“A tax which aims to be equal, but is ineffectual, produces a kind of inequality, tending to increase as time goes on, and

worse than all other kinds; but a tax which aims to be effective, even in apparent disregard of equality, tends by a constant process of economic adjustment to be more and more equal."

Your Committee were deeply impressed with the broad views expressed by the citizens who appeared before them. All are willing to bear their share provided others similarly situated do likewise, and such a result should be the earnest effort of all officials.

Your Committee believes that the centralization of the control of tax assessments is the principal remedy for the evils mentioned. Philadelphia and Allegheny counties have a step in the right direction in the system of appointment of assessors by the Board of Revision of the County. This exists in Philadelphia by virtue of special Acts of 1865 and 1867 and in Allegheny by an Act of 1905. After a general investigation of the subject and conclusions of Tax Commissions of other States, your Committee agrees with the conclusion of the Minnesota Legislative Reference Department in its Comparative Digest of State Legislation relating to Permanent Tax Commissions. "The tendency of recent legislation is apparently toward an increased concentration in the hands of the State Tax Commission of authority over local tax officers."

Greater intelligence, experience and fairness in administration as a result of this high-class work not exposed to local influence would prevent "tax dodging" and unequal valuation. The work should be centered in the hands of the Auditor General, who should have control of his agents in the various localities. Owing to the vast nature of the questions of policy involved and the innumerable details necessary to consider in adjusting the old system to the new, it has not been possible for your Committee to present a complete scheme for that purpose. They recommend, however, most earnestly, that authority be given to continue their labors with an adequate appropriation for clerical assistance and the advice of counsel, and if the

authority be given they propose to make this one of their principal objects during the two years until the next meeting of the Legislature, giving it with this added assistance the same expenditure of time which they have gladly given during the past two years. At the same time your Committee can consider the other matters referred to at various places in this report which they have necessarily left unfinished for the reasons given.

It is therefore recommended that the Joint Resolution under which your Committee has acted be again adopted.

It has been suggested to your Committee that the City of Philadelphia furnishes a community in which the system of State supervision of tax collection might well be put in operation as a test. The system exists there in part by reason of the fact that the Board of Revision of Taxes, existing under special Acts, appoints the assessors, who are salaried officers who should, because of the method of selection, be of a grade superior to the elected assessors throughout the State. The Board of Revision is appointed by the Judges of the county. If this appointment was entrusted to the Auditor-General, so that its members were responsible to him, and he could thus have their hearty co-operation in employing the supervisory powers over assessments given by the Act of 1905, and the powers of investigation and employment of assistants given him by other statutes suggested herewith, the proposed system would be in full force and could be there given a fair trial. Your Committee submits this to the Legislature for its consideration in case it should be deemed advisable to try it, but makes no recommendation upon the subject. In case the trial is to be made, a draft of an Act to that end is submitted herewith (see page 206).

AN ACT CREATING IN COUNTIES CONTAINING MORE THAN 1,250,000 INHABITANTS A BOARD OF REVISION OF TAXES FOR STATE AND COUNTY PURPOSES, AND PRESCRIBING THE POWERS AND DUTIES THEREOF.

SECT. 1. Be it enacted, etc., That in counties of this Commonwealth containing a population of more than 1,250,000 there is hereby created a Board of Revision of Taxes consisting of three persons. The members of the said Board shall be appointed by the Auditor General, and not more than two members of the Board shall be members of the same political party. Each member shall hold office for the term of three years, and the first members of the Board shall be appointed for the terms of one, two and three years respectively. The member whose term first expires shall be Chairman of the Board, and the member whose term last expires shall be Secretary of the Board. A majority of the Board shall constitute a quorum.

The salary of each member of the Board shall be \$6,000 per annum payable by the county.

SECT. 2. The said Board of Revision of Taxes shall make all assessments and valuation of property, both real and personal, taxable for State and county purposes. They shall divide the county into convenient districts not exceeding the number of townships, or wards in cities which they may rearrange from time to time, and shall appoint for each district two assessors at a salary of \$3,000 each per annum to be paid by the county, whom they may remove for incompetency or neglect of duty, and in each district one assessor shall be appointed from the political party polling the majority of votes in the county, and the other shall be appointed from among the other parties.

SECT. 3. The said Board of Revision shall issue their precept to the several assessors of the county in each year, requiring the assessors to return the names of all persons in their respective districts, and all property taxable by law for State or county purposes, together with a just valuation of the same in the manner prescribed by law, for the triennial assessment, and they shall receive the returns of the assessors.

SECT. 4. The Board shall have power to revise and equalize the assessments, by raising or lowering the valuations, either in individual cases, or by townships, cities, boroughs, or other political divisions of the county, to rectify all errors, to make valuations where they have been omitted, and to require the attendance of the assessors, or other citizens, before them for examination, on oath or affirmation, either singly or together,

with power to forfeit the pay of assessors ratably to their annual compensation, for each day's absence, when their attendance is required, and the said Board of Revision shall hear all the appeals and applications of the taxpayers, subject to an appeal from their decision to the Court of Common Pleas of the county, whose decision shall be final, and if the appeal to the Court shall be groundless, the appellant shall pay all the costs of Court; the County Commissioners shall have no power to correct or revise the taxes; the Board of Revision shall hear the taxpayers of the respective townships, cities, boroughs, or other political divisions of the county in succession, of which notice shall be given, as required by law, and the said Board of Revision shall, alone by a majority of them, exercise all the powers heretofore vested in the County Board of Revision in each of such counties; they shall meet as often as is necessary to despatch the business which their duties require of them, and shall hold stated meetings on the first Saturday of each month.

SECT. 5. The said Board of Revision of Taxes shall have general supervision of assessments and assessors in said counties and the collection of taxes therein, and the correction of all valuation and return therefor; and they shall issue the precepts to, and receive the returns of, the assessors, procure the assessment books, and cause the duplicates to be made out and issued to the officer or officers charged by law with the receipt of taxes, make the returns required by law to the State Revenue Board and have the exclusive custody and control of all books relating to the assessment of taxes, and keep them arranged according to townships, cities, boroughs, or other political subdivisions of the county and dates; and also have the custody and control of the duplicates of surveys, when the same shall have been made by the Department of Surveys which may exist in said counties; they may issue certificates to show how property has been assessed, to be used with the same effect as the original books of assessment, as evidence in relation to the title of property; they shall report to the Councils of all cities in said counties, through the Mayor, the aggregate of the assessments, on or before the first day of November in each year.

SECT. 6. It shall be the duty of the Board of Revision immediately after the annual assessment in each year to classify the real estate so assessed in such a manner and upon testimony adduced before them, as to discriminate between the rural and built-up portions of said county, and they are hereby required to certify to the Councils of all said cities on or before the

first day of November in each year, the valuation of the built-up portions, the valuation of the rural or suburban property, and the valuation of lands exclusively used for agricultural and farming purposes respectively.

SECT. 7. This Act shall go into effect the first Monday of January, 1912.

SECT. 8. All Acts and parts of Acts, general, local and special, inconsistent with or supplied by the provisions of this Act be, and the same are hereby repealed.

NOTE.

The Legislature of 1901 attempted to alter the mode of appointment of the Board of Revision of Taxes in Philadelphia by making them elective in counties co-extensive with the boundaries of cities of the first class. This was held unconstitutional. *Blankenburg vs. Black*, 200 Pa. 629. But counties may be classified by population for purposes of providing governmental machinery. *Lloyd vs. Smith*, 176 Pa. 213. It was decided in the case of *Commonwealth vs. Collier*, 213 Pa. 138, that the Act of 1905, P. L. 47, providing a special Board of Revision of Taxes for Allegheny County under a classification of counties between three hundred thousand and one million was constitutional, because the duties of the Board extended to State as well as county taxation, and the members were not county officers within the meaning of Article XIV, Section 4, of the Constitution, which provides "County officers shall be elected at the general elections."

In this proposed Act the phraseology of previous Acts has been substantially retained.

Your Committee believes that a State conference on taxation, to be participated in by public officials and representative citizens from all parts of the State, together with your Committee, would be of great value. It would be an extension of the public hearings already held. Your Committee, if continued in its duties, proposes to call such a conference, requesting the participation of the Auditor General, Attorney General and Secretary of Internal Affairs, the Mayor of each City, a representative of each Board of County Commissioners and Board of Revision of Taxes, all County Controllers, a representative of each

Board of Trade in the several Cities of the State, a representative of each University or College in the State having a course in Economics or Finance, and others specially interested in such subjects.

The International Tax Association holds each year a conference similar to the one held this year at Milwaukee and attended by counsel for your Committee. The next one will be held at Richmond, Va., September 5, 1911. Your Committee, if continued, proposes to make provision for taking part in this conference and the one which may be expected to follow in 1912.

Uniformity of taxation is also one of the principal topics of investigation by the National Civic Federation which has in the last month organized a Pennsylvania Council. The co-operation of this Council with your Committee will be earnestly desired.

AN ACT AUTHORIZING THE AUDITOR GENERAL TO EMPLOY FIVE CLERKS,
AND MAKING AN APPROPRIATION THEREFOR.

SECT. 1. Be it enacted, etc., that the Auditor General is hereby authorized and directed to employ five clerks to be known as Tax Clerks at an annual salary of Five thousand dollars each, whose duty it shall be to do such work in connection with any and all matters in any wise pertaining to State taxation and such other work of his office as the Auditor General may direct and for the payment of the salaries of the said tax clerks, two years, the sum of Fifty thousand dollars is hereby appropriated to be paid out of any moneys in the Treasury not otherwise appropriated.

AN ACT TO PROVIDE FOR THE BETTER COLLECTION OF MONEY AND
TAXES DUE THE COMMONWEALTH AND PROPERTY BELONGING TO
OR LIABLE TO ESCHEAT TO THE SAME.

SECT. 1. Be it enacted, etc., That the Auditor General at his discretion shall have authority to cause to be commenced in the name of the Commonwealth in any Court of the Commonwealth having jurisdiction any appropriate suit at law or in

equity for any money or taxes due the Commonwealth, or property belonging to or liable to escheat to the same, and a remedy by means of such suit is hereby provided whether it be now authorized by law or not, and any action at law or in equity, both by bill in the nature of a bill of discovery in equity or otherwise, which may be necessary for the ascertainment of the fact as to whether such money, taxes or property exists and is due the Commonwealth, whether the defendant or defendants therein have or have not made any or all reports thereof required by law.

SECT. 2. For the purpose of investigating the books, accounts, documents or papers of any person or corporation liable by law to make report to the Auditor General for the purposes of taxation or payment of bonus, the Auditor General may employ from time to time one or more expert accountants who shall have power to inspect the same and report thereon, and shall receive a reasonable compensation to be fixed by the Auditor General.

SECT. 3. For the purposes of prosecuting the actions hereby authorized, and aiding in the investigation of the facts connected therewith, the Auditor General may from time to time employ one or more counsel learned in the law who shall receive a reasonable compensation to be fixed by the Auditor General.

SECT. 4. If any person or corporation shall fail to comply with any summons of the Auditor General for the attendance of persons or for the production of books, accounts, documents or papers, or shall refuse to be sworn as a witness, or refuse to testify fully as such, or if any person or corporation shall refuse to permit any person designated by the Auditor General to inspect books, accounts, documents or papers as required by law, the Auditor General may apply by petition in the name of the Commonwealth to the Court of Common Pleas having jurisdiction, and the Court shall make such order on reasonable notice to such person or corporation as shall compel compliance with the law, and the violation of such order shall be a contempt of such Court and punishable as such. The remedy herein provided shall be in addition to other remedies and penalties provided by law.

NOTE.

The existing powers of the Auditor General with regard to the investigation of facts and the employment of counsel are as follows:

Act of March 30, 1811, 5 Sm., 228, Stewart's Dig. 3676, (the fundamental law giving the Auditor General settlement of accounts, under which all tax accounts are settled) which provides that he may "compel all persons in the receipt or possession of public moneys to render to him their accounts," and for that purpose he may force the attendance of witnesses and administer oaths and compel the exhibition of "all official or public books, accounts, documents, or papers, which have any relation to or connection with any public account." He may also proceed by commission with interrogatories.

According to the first part of the section this would include "all accounts between the Commonwealth and any person or persons, body politic or corporate, as well as those with the officers of the revenue," and other persons receiving public money.

By the fourth section any person attending and refusing to answer may be committed by the Auditor General. This may not be valid for lack of judicial power in the Auditor General.

By the thirty-first section, in order to secure the attendance of witnesses in relation to any public account already furnished or to be furnished, the Auditor General may issue a writ to the sheriff to summon the persons, and upon failure after thirty days to appear, may issue a writ of attachment commanding the sheriff to commit the person. The same objection applies to this.

Section thirty-two provides the same procedure for the production of books, etc., and there is a penalty on the sheriff and jailer for failing to obey the Auditor General's writs.

Commonwealth vs. Edgerton Coal Co., 164 Pa. 284, on page 303, refers to these powers of the Auditor General as very searching without any particular comment on the validity of the provisions or otherwise.

Act of April 26, 1855, Section 14, P. L. 332, Stewart's Dig., 389. When the Auditor General shall believe "that any property shall be defeasibly held * * * or that the income of any corporation or Association as aforesaid shall exceed the limit allowed by law," he may call for a return, and if it be not made he may file a bill of discovery. This is the Act forbidding the holding of real estate by foreign corporations and would not apply to other cases of escheat.

Counsel to aid the Auditor General in the performance of his duties may be employed under the

Act of April 17, 1861, P. L. 371, Stewart's Dig., 3682, authorizing the Auditor General or Attorney General to employ resident attorneys to assist at the trial of cases and prosecution of claims, for a "reasonable compensation as the circumstances would justify, or as may have been agreed upon" and shall be allowed by the Auditor General.

Act of April 7, 1870, Section 1, P. L. 57, Stewart's Dig., 3685, providing that where a debtor to the Commonwealth shall suffer a claim to be unpaid for 60 days, he shall pay a commission of 5 per cent. to counsel or attorney of the Commonwealth, in addition to other penalties, provided that no more than \$7,000 be paid for professional services in any year and that the surplus be paid into the State Treasury.

Act of April 28, 1840, Section 23, P. L. 473, Stewart's Dig.,

388, authorizing the Auditor General to take all such legal measures as may be by him deemed expedient, to recover all moneys due to the Commonwealth from any and every person or persons upon settlement of their accounts; and for this purpose he may employ "any attorney or counsel which he may deem necessary," who shall receive reasonable and just compensation.

This provision only applies after the settlement of accounts, and it does not permit expressly proceedings to get information on which to settle accounts, nor does the Act of 1861.

Act of April 21, 1857, Section 2, P. L. 266, Stewart's Dig., 371, requires the Auditor General and State Treasurer to place in the hands of the Attorney General for collection debts due the Commonwealth from all sources, unpaid for ten days, and he shall proceed by suit to collect the same. The fifth section makes it the duty of the Attorney General to cause to be collected by law, all moneys appearing by the records of the Auditor General and State Treasurer.

By the Act of July 15, 1897, Section 2, P. L. 291, the Auditor General may employ expert accountants "to examine the accounts of county officers and all institutions receiving State aid in whole or in part," the compensation and expenses to be fixed by the Auditor General. He has no authority to appoint expert accountants for any purpose beyond this.

The Act of April 17, 1905, Section 1 (P. L., 186), gave the Auditor General exclusive power in the making of returns of personal property tax where no return was made by the taxable, or where the assessors or Board of Revision or County Commissioners made what he considered to be an improper return. The work was so vast, however, that it required an additional force of clerks and appropriation which were not then given and have not since been given, and the Act has therefore been a dead letter. This has been elsewhere referred to.

AN ACT TO PROVIDE FOR THE ASSESSMENT AND COLLECTION OF TAXES ON PERSONAL PROPERTY.

SECT. 1. Be it enacted, etc., That all taxes on personal property for the year 1911 and every year thereafter may be recovered by the Commonwealth by an action of assumpsit in any Court having jurisdiction, in addition to any other manner provided by law.

SECT. 2. Such actions shall be conducted under the direction of the Auditor General, and for that purpose he may employ one or more counsel at a reasonable compensation to be fixed by him.

SECT. 3. In all cases where no assessment for personal property tax shall have been made against a person or persons, corporation, limited partnership or joint stock association, liable therefor for any year, and in all cases where any false return

or returns of such taxes shall have been made by any persons or persons, corporation, limited partnership or joint stock association liable therefor, and no revision of such return shall have been made by any officer charged by law with such revision, the Auditor General may at any time within twenty-one years thereafter, make a return or revised and corrected estimated return thereof and proceed to the collection of the taxes as required by law.

NOTE.

This is designed to meet such glaring cases as those of which one came to light in the case of Schmuck vs. Hartman, 222 Pa. 190. In that case a taxable for the years from 1876 to 1884 made no return of personal property for taxation and from 1885 to 1907 returned amounts increasing from \$4,080 to \$6,000. At his death, by reason of the information disclosed by the inventory of his estate, the County Commissioners assessed taxes against him upon money at interest on mortgage in the State of Ohio, increasing from \$30,000 in 1876 to \$727,020 in 1907. The Court held that there was no authority of law to make an assessment for personal property tax in any year except that in which the liability arose, and that as liability to pay taxes does not arise from a contractual obligation there could be no action at law for them unless specially allowed. This reaffirmed the decision in Williamson's Estate, 153 Pa. 508, where a taxable made no return and was assessed a tax and penalty upon \$67,500. The inventory of his estate at his death showed \$2,500,000.

Obedying the principle of law that there should be an end to litigation, however, it is provided that where the taxing officers do make a revision of the return—presumably after investigation—the matter shall not be again reopened. The remedy in such cases lies only with the fidelity of the taxing officers.

AUDITOR GENERAL'S DEPARTMENT

In investigating the work of the Auditor General's Department in the collection of taxes your Committee finds that it is hampered both by insufficient equipment for the work entrusted to it (as hereinbefore pointed out) and by inconveniences and abuses which have arisen through the attempt to apply old methods to new circumstances. The fundamental Act governing tax settlements and appeals is still the Act of 1811. Under it appeals to the courts may be made without many of the safeguards surrounding other litigation, and they are made with the greatest freedom. No affidavit is required (as is universal in other branches of legal procedure, even in the smallest cases) that the appeal is not intended for delay. A graver matter is that the reports to the Auditor General are not required to state details but only conclusions, and a lumping figure in the report may conceal a claim for exemption from taxation which is not known to and not passed upon by the tax officials. Upon appeal the proceedings are de novo with the burden on the corporation or other appellant, and new questions are and may be raised which no opportunity was given to the Auditor General to consider. Freedom of appeal to our courts should be coupled with fairness and expedition, and the appeal should be a genuine reconsideration of the Auditor General's conclusion, and not itself an original proceeding as to the matters at issue. With proper information before him that officer can arrive at the proper result and the collection of taxes be facilitated. Drafts of Acts to these ends are submitted herewith (see page 216).

Corporate bonds held by non-residents are not subject to taxation in Pennsylvania. In the case of negotiable bonds which are somewhat difficult at times to trace it is an easy matter for the corporation treasurer to include only those which he is quite certain without too much effort

are held by residents, crediting them to non-residents when their whereabouts are not absolutely known. Nevertheless, the burden is on him under the law to make adequate efforts to ascertain the whereabouts of all bonds, and in order to enable the Auditor General to judge of the adequacy of those efforts he should be required to give them in detail. A draft of an Act to compel this is submitted herewith (see page 217).

It appears that an existing law requires certain officials having the distribution of funds derived from the sale of corporate property to make certain that its State taxes are paid by receiving a certificate that the Auditor General has had notice thereof. This law is not generally observed for lack of a penalty on non-compliance, and because no question of title is involved. A compulsion of such compliance would result from the imposing of personal liability on such non-judicial officials as are charged with this duty, and a draft of an Act for this purpose is submitted herewith (see page 217).

A relatively small matter, yet one causing a good deal of difficulty to small corporation taxpayers who try to report their taxes without the aid of a lawyer (as they should be able to do), is the awkward wording of the Act of 1885 with regard to corporation loan taxes. The Act directs the Treasurer to deduct a tax of three (changed to four) mills "on every dollar of the interest paid." But it has been decided that the tax referred to is the tax of four mills annually on each dollar of the principal of the bond, and that the sum so calculated should be deducted from the interest (Delaware Division Canal Co. vs. Com., 123 Pa., 594; Com. vs. Wilkes Barre, 8, Scranton Ry. Co., 162 Pa., 614), and not, as the language literally means, four mills on each dollar of the interest, the word "of" being properly read "off." The blanks used by the Auditor General print the Act only. They should also contain the explanation and thus avoid misunderstanding.

AN ACT REGULATING APPEALS FROM TAX SETTLEMENTS OF THE
FISCAL OFFICERS OF THE COMMONWEALTH.

SECT. 1. Be it enacted, etc., In every appeal from a tax settlement of the fiscal officers of the Commonwealth an affidavit of the parties appellant, or some one of them, or one of their chief officers or of their agent or attorney, shall be filed that said appeal is not taken for the purpose of delay, but because appellants believe they have suffered injustice by the settlement from which they appeal. Said affidavit may be made before anyone authorized to administer oaths.

SECT. 2. On any appeal from a tax settlement of the fiscal officers of the Commonwealth no matter shall be subject to review or correction that was not brought to the attention of said officers in the reports or affidavits relating thereto, filed with said fiscal officers by said parties appellant.

AN ACT REGULATING REPORTS FOR THE PURPOSES OF TAXATION BY
CORPORATIONS, JOINT STOCK ASSOCIATIONS AND LIMITED PART-
NERSHIPS, ANY PART OF THE CAPITAL STOCK OR INDEBTEDNESS
OF WHICH IS NOT TAXABLE UNDER THE LAWS OF THIS COM-
MONWEALTH.

SECT. 1. Be it enacted, etc., That hereafter it shall be the duty of the President, Chairman or Treasurer of any corporation, joint stock association or limited partnership required by law to make a report in writing to the Auditor General, and any part of the capital stock or indebtedness of which is not taxable under the laws of this Commonwealth, to add to said reports statements, under oath, setting forth in full the data on which exemptions from taxation under the laws of this Commonwealth are claimed, and otherwise to state specifically, under oath, all information necessary to determine the amount of exemption to which such corporation, joint stock association and limited partnership is entitled, and, in the case of companies operating partly in other States, and taxed on a mileage basis, to so state specifically the total mileage of said companies, as well as the mileage wholly within Pennsylvania, in order that the tax may be prorated according to such mileage.

SECT. 2. No report of any such corporation, joint stock association or limited partnership not containing such information as is herein provided shall be received or filed by the Auditor General.

AN ACT REGULATING REPORTS FOR THE PURPOSES OF TAXATION BY CORPORATIONS, ANY OF THE SCRIP, BONDS, CERTIFICATES OR OTHER EVIDENCES OF INDEBTEDNESS OF WHICH ARE HELD BY RESIDENTS OF THIS COMMONWEALTH.

SECT. 1. Be it enacted, etc., That hereafter it shall be the duty of each Treasurer of any corporation required by law to make a return for tax on loans to the Auditor General of this Commonwealth, to report on oath specifically and in detail the facts showing the kind and degree of his efforts to ascertain the residence of the holders of the scrip, bonds, certificates or other evidences of indebtedness issued by said corporation in order that it may affirmatively appear in his return that he has used the utmost diligence to ascertain said residence, and that the manner in which he has discharged the duty imposed by law to ascertain the amount of the indebtedness of such corporation owned by residents of this Commonwealth shall affirmatively appear in his return.

SECT. 2. No report of any such corporation not containing such information as is herein provided shall be received or filed by the Auditor General.

AN ACT TO AMEND AN ACT ENTITLED "AN ACT TO AID THE AUDITOR GENERAL IN THE COLLECTION OF TAXES DUE THE COMMONWEALTH FROM CORPORATIONS, LIMITED PARTNERSHIPS, AND JOINT STOCK ASSOCIATIONS," APPROVED MAY 25, 1907.

SECT. 1. Be it enacted, etc., That Section 3 of an Act entitled "An Act to aid the Auditor General in the collection of taxes due the Commonwealth from corporations, limited partnerships, and joint stock associations," approved May 25, 1907, which reads as follows:

"SECT. 3. No distribution of the proceeds arising from the sale of property of a corporation, limited partnership, or joint stock association, by a trustee, assignee, receiver, master or other official, shall be approved or authorized by the Court having jurisdiction unless there be filed therein a certificate from the Auditor General, under his hand and the seal of the Department, showing that notice of such sale was filed with him in accordance with the provisions of this Act," be, and the same is hereby amended to read as follows:

SECT. 3. No distribution of the proceeds arising from the sale of property of a corporation, limited partnership, or joint stock association, by a trustee, assignee, receiver, master or other official, shall be approved or authorized by the Court having jurisdiction unless there be filed therein a certificate from the Auditor General, under his hand and the seal of the Department, showing that notice of such sale was filed with him in accordance with the provisions of this Act, *and in case distribution is made without the filing of such certificate the trustee, assignee, receiver or other non-judicial officer shall be personally liable to the Commonwealth for the sums due to it.*

UNIFORMITY OF REPORTS.

Complaints were made to your Committee with regard to the variation in the reckoning of the year, or division thereof, for which reports for purposes of taxation are required to be made to the Auditor General by various corporations and others. An outline of the existing law and the contrariety of provision on the subject will be found in a note to the Act submitted with this report (see page 219). The Auditor General's office has strongly recommended that all such reports be made for the same year. The calendar year recommends itself to your Committee as the most convenient natural division. It is the year provided by the Federal Corporation Tax Law, and it was testified before your Committee that the Interstate Commerce Commission, whose year now ends June 30, is likely to change its year to conform with the Federal tax year. The convenience and accuracy of such uniformity is so obvious that your Committee has no hesitation in following the suggestion and in recommending the enactment of the law to secure this end, of which a draft is submitted herewith (see page 219).

Of course, the alteration of the time of making report will result in the payment of all State taxes at the same time, and this will doubtless be a great convenience to the taxpayers and those having to deal with the Auditor General's Department.

AN ACT REGULATING THE MAKING OF CERTAIN REPORTS AND STATEMENTS TO THE AUDITOR GENERAL FOR PURPOSES OF STATE TAXATION.

SECT. 1. Be it enacted, etc., That all reports and statements required to be made by law to the Auditor General for purposes of State taxation by any person, persons, corporation, limited partnership or joint stock associations, shall be made in the month of January of each year, and shall cover the next preceding calendar year, and payment of all such taxes shall be made in the month of February then following: Provided, That the time of making such reports and statements by public officers shall remain as now provided by law.

NOTE.

The variety of the times at which reports are now required is shown by the following:

Premiums of insurance companies—Semi-annually on the first days of July and January. Act of June 28, 1895, P. L. 408.

Stock of trust companies—Annually on or before June 20. Act of June 13, 1907, P. L. 640.

Gross receipts of transportation and other companies—Semi-annually before July 31 and January 31. Act of June 1, 1889, P. L. 420, Sec. 23.

Bank stock—Annually on or before June 20. Act of July 15, 1897, P. L. 292. If 10 mills on the par value of the stock be paid before March 1, certain exemptions from taxation are secured. This will not be altered by the present act.

Capital stock—Annually in the month of November for the calendar year. Act of June 8, 1891, P. L. 229.

Corporate loans—Annually on the first Monday of November for the calendar year. Acts of June 30, 1885, P. L. 193, and June 8, 1891, P. L. 229.

Net earnings of certain corporations (applicable only to corporations without capital stock)—Annually on first Monday of November. Act of June 1, 1889, P. L. 420.

Matured stock of building associations—The law is indefinite, and they are therefore made for the calendar year as soon after its close as convenient. Act of June 22, 1897, P. L. 178.

Gross receipts of private bankers—Annually on the first Monday of December, for year ending November 30. Act of June 27, 1895, P. L. 396.

Notaries Public—Annually on or before December 31. Act of May 20, 1865, P. L. 846.

Orders for wages—Annually on the first day of November. Act of June 24, 1901, P. L. 596, Sec. 1.

The times of payment directed by these Acts vary considerably with relation to the time of report. But the practice is common to await a settlement by the Auditor General and State

Treasurer, and notice thereof, as interest does not begin to run until that time. This will doubtless continue to be done.

The proviso excepts the returns of public officers. The principal return is that of municipal loans, and these are now required to be made for the calendar year. The numerous other requirements for the return of petty taxes and license fees are too many and complicated to be changed by a general Act and they are therefore left untouched.

ESCHEATS.

Existing legislation in regard to escheats is only efficient after full information is given to the Auditor General. There is a large class of property, however, which is not reached and yet is particularly liable to escheat by reason of being overlooked by those settling estates. This is moneys deposited in bank, securities in safe deposit vaults and corporate stock and bonds. If this has no known owner—which is presumed from its lying unclaimed for a sufficient length of time—the benefit of it should go to the State and not to the institution into whose lap it thus falls by reason of the ineffectiveness of present laws. At the same time abundant opportunity and time should be offered to the real owner to reclaim it from the State if he appears. There are existing laws providing for the report to the State officials and the payment into the State Treasury of unclaimed bank deposits, but owing to the fact that there is no adequate penalty, the law is not fully observed. In the year 1909, for example, only \$1,562.40, in 1908, \$1,625.55 and in 1907, \$2,583.97 was paid into the State Treasury by Savings Institutions, under the Act of 1872, with regard to unclaimed deposits. There must be much more than this.

Accordingly your Committee recommends the enactment of a bill, of which a draft is submitted herewith (see page 221).

An amendment is needed to the General Escheat Act of 1889 to meet the defect pointed out in Bousquet's Estate,

206 Pa. 534, which strictly construed the description of an owner of property who has "been unknown for a period of seven years." The owner had been missing for many years, and the Court said that the owner of the fund had never been unknown. It was his present whereabouts that were unknown. Such an amendment is accordingly submitted herewith (see page 225).

AN ACT PROVIDING FOR THE REPORT TO THE AUDITOR GENERAL AND ESCHEAT TO THE COMMONWEALTH UNDER CERTAIN CONDITIONS OF DEPOSITS OF MONEY; DEPOSITS OF MONEY, STOCKS, BONDS, NOTES, PAPERS AND OTHER SECURITIES AND ALL OTHER VALUABLES OF THE SAME OR ANY OTHER KIND FOR SAFE KEEPING; AND STOCKS AND DIVIDENDS, AND THE PRINCIPAL AND INTEREST OF BONDS, NOTES, CERTIFICATES AND OF ALL AND ANY OTHER KINDS OF INDEBTEDNESS OF CORPORATIONS, LIMITED PARTNERSHIPS AND PARTNERSHIP ASSOCIATIONS; AND PROVIDING FOR THE ENFORCEMENT OF THE SAME.

SECT. 1. Be it enacted, etc., That every bank, savings institution, trust company, safe deposit company and every person, firm and corporation receiving deposits of money, shall in the month of January in every year hereafter file with the Auditor General a report under oath of all deposits of money with the interest and profits accrued thereon which have not been increased or diminished or credited with interest in the pass book at the request of the depositor within seven years last preceding such report. Such report shall show the amount of such deposit of money, and the name and address of the depositor.

SECT. 2. Every person, firm and corporation in this Commonwealth receiving deposits of money, stocks, bonds, notes papers and other securities or other valuables of the same or any other kind for safe keeping, shall in the month of January in every year hereafter file with the Auditor General a report under oath of all such deposits to which access has not been actually had by the owner or owners thereof within seven years last preceding such report. Such report shall give the names and addresses of the depositors, and the nature and amount of the deposit, if known.

SECT. 3. Every corporation, limited partnership and partnership association organized under the laws of this Commonwealth

shall in the month of January in every year hereafter file with the Auditor General a report, under the oath of one of its executive officers having personal knowledge thereof, of the names and addresses of all stockholders to whom a dividend or dividends shall have been declared and who have not claimed the same for seven years next preceding, together with the amount of such dividend and the kind and number of shares on which the same shall have been declared; and also the names and addresses of all holders of bonds, notes, certificates and of all and any other kinds of indebtedness of said corporations, limited partnerships and partnership associations who shall not have claimed for seven years next preceding the principal or interest due on the same, together with the amount of such interest and of the principal of such bonds, notes, certificates and other kinds of indebtedness. Should the names and addresses of said stockholders, holders of such bonds, notes, certificates and other kinds of indebtedness be unknown to the executive officers of any such corporation, limited partnership or partnership association a report shall nevertheless be filed as hereinbefore provided setting forth the amount and nature thereof and all other information in the possession of such corporation, limited partnership or partnership association, concerning said stocks, bonds, notes, certificates and other kinds of indebtedness.

SECT. 4. Such reports shall be preserved by the Auditor General in his office for public inspection, and he shall keep for public inspection an index of the names of all persons so reported to him, the amount and nature of the property involved, and the person or corporation reporting it.

SECT. 5. When any such deposit of money or unclaimed dividend or interest or principal of any bonds, notes, certificates and all or any other kinds of indebtedness of such corporations, limited partnerships and partnership associations shall have been so reported to the Auditor General for seven successive years, it shall, upon demand by him, be paid to the State Treasurer for the use of the State together with the interest and profits accrued thereon by the person, firm or corporation making such report; and a report of such payment shall be made to the Auditor General and be entered by him in said index.

SECT. 6. At any time within twenty-one years after such payment of a deposit of money, dividend, or interest or principal of any such bonds, notes, certificates, or other kinds of indebtedness of such corporations, limited partnerships and partnership associations to the State Treasurer, the persons who

would have been the lawful owners of such deposit, dividend, or interest or principal of any such bonds, notes, certificates or other kinds of indebtedness, had it not been so paid, or their legal representatives, shall receive the same out of the State Treasury out of moneys otherwise unappropriated, upon the warrant of the Auditor General on the State Treasurer, upon the production to the Auditor General of satisfactory proof of such ownership.

SECT. 7. When any such unclaimed stocks of said corporations, limited partnerships and partnership associations or any such deposit of money, stocks, bonds, notes, papers, other securities or other valuables of the same or any other kind for safe keeping, shall have been so reported to the Auditor General for seven successive years, the Auditor General shall thereupon appoint an escheator to conduct proceedings for the escheat of the same in the manner provided by law.

SECT. 8. No fee shall be paid to any informant for information leading to the escheat of any property which shall have been theretofore reported at any time under this Act.

SECT. 9. The failure to make any report required by this Act shall subject the person, firm, corporation, limited partnership or partnership association so failing to a penalty of fifty dollars a day, for each day such failure continues, to be recovered by the Commonwealth. The failure to pay to the State Treasurer any such deposit of money or dividend or interest or principal of any bond, note, certificate, or all or any other kind of indebtedness of such corporation, limited partnership or partnership association upon demand shall render the person, firm, corporation, limited partnership or partnership association so refusing liable to an action by the Commonwealth to recover such deposit with interest at 12 per centum per annum.

SECT. 10. Nothing in this Act shall be construed to prevent the escheat of property to the Commonwealth in the way otherwise provided by law for lack of next of kin or a known owner.

SECT. 11. All the Acts or parts of Acts inconsistent with the provisions of this Act be, and the same are hereby repealed.

SECT. 12. The following Acts and parts of Acts be, and the same are hereby repealed.

An Act entitled "An Act requiring banks and other corporations to give notice of unclaimed dividends, deposits and balances in certain cases." Approved March 6, 1847. (Pamphlet Laws 222.)

Section 52 of an Act entitled "An Act regulating banks." Approved April 16, 1850. (Pamphlet Laws 477.)

Sections 2 and 3 of an Act entitled "An Act relating to unclaimed deposits in savings banks, and transfer of stock." Approved April 17, 1872. (Pamphlet Laws 62.)

An Act entitled "An Act relating to the return of moneys escheated to the Commonwealth." Approved June 4, 1885. (Pamphlet Laws 73.)

An Act entitled "An Act to amend the first section of an act, entitled 'An Act relating to the return of moneys escheated to the Commonwealth,' approved the fourth day of June, Anno Domini one thousand eight hundred and eighty-five, extending the same to certain other cases of escheat." Approved June 25, 1895. (Pamphlet Laws 283.)

NOTE.

Existing laws practically cover only bank deposits. They are as follows:

Act of March 6, 1847 (P. L. 222), applying to banks, savings institutions, loan companies and insurance companies, which declare dividends or profits among the stockholders and requiring publication in the newspapers of dividends unclaimed for three years, and not increased or diminished or receiving interest within three years. The penalty is personal liability by the cashier to the owner with 12 per cent. interest. Three years after the first publication the dividend shall escheat to the Commonwealth and the owner may claim it at any time thereafter. There is no further penalty for failure to publish and no penalty at all for failure to pay to the Commonwealth.

Act of April 16, 1850 (P. L. 477), requires the cashier of every bank to forward to the Auditor General a list of dividends and deposits unclaimed and not increased or diminished for three years. There is no penalty.

Act of April 17, 1872 (P. L. 62), requires a savings fund, savings institution or savings bank to pay to the State Treasurer deposits not demanded for thirty years, and permits the real owner to recover it from the State Treasury after that time by action in the Courts. There is no penalty for failure to make report, but small sums are paid.

The laws of other States are not very complete on this subject. The primary object seems to be publicity for the benefit of the owner or next of kin. New York, for example, has elaborate provisions for report to the Banking Commissioner and the indexing of reports as well as for publication. Maine and New Jersey, as well as New York, require newspaper advertising. None of these three provide for escheat to the State. Maine and Massachusetts only escheat deposits remaining unclaimed in the hands of receivers of a bank. Ohio has much

the most complete system, providing for annual reports to the Probate Judge, which are recorded for public inspection; and after eight years the deposits are paid to the County Treasurer and may be reclaimed at any time on proof of ownership.

Sufficient publicity will be provided by the public reports in the office of the Auditor General duly indexed, to which all persons settling estates will naturally resort to look for unclaimed deposits. This, and the right to recover with a long period of limitation on the right, abundantly protect the depositors, and the State should have the benefit of money not so claimed.

AN ACT TO AMEND SECTIONS TWO AND THREE OF AN ACT ENTITLED "AN ACT DEFINING AND REGULATING ESCHEATS IN CASES WHERE PROPERTY IS WITHOUT A LAWFUL OWNER, AND PROVIDING FOR MORE CONVENIENT PROCEEDINGS RELATIVE TO THE SAME," APPROVED THE SECOND DAY OF MAY, ONE THOUSAND EIGHT HUNDRED AND EIGHTY-NINE; EXTENDING THE SAME TO OTHER CASES OF ESCHEAT.

SECT. 1. Be it enacted, etc., That the second section of an Act entitled "An Act defining and regulating escheats in cases where property is without a lawful owner, and providing for more convenient proceedings relative to the same," approved the second day of May, one thousand eight hundred and eighty-nine, which reads as follows:

"Whensoever any money, estate or effects, shall have been or shall hereafter be paid into or deposited in the custody of any Court of this Commonwealth, or shall be in the custody of any depository, or of any receiver or other officer of said Court and the rightful owner or owners thereof shall have been or shall be unknown for the space of seven years, the same shall escheat to the Commonwealth, subject to all legal demands on the same."

Be and the same is hereby amended to read as follows:

Whensoever any money, estate, or effects, shall have been or shall hereafter be paid into or deposited in the custody of any Court of this Commonwealth, or shall be in the custody of any depository or of any receiver or other officer of said Court, and the rightful owner or owners thereof shall have been or shall be unknown for the space of seven years, *or shall have made no demand therefor for the space of seven years*, the same shall escheat to the Commonwealth, subject to all legal demands on the same.

SECT. 2. That the third section of the said Act which reads as follows:

"Whensoever any trustee or other person is or shall be seized of any property or estate, real or personal, in a fiduciary capacity, and shall file an account of the same in any Court in this Commonwealth, and whensoever it shall appear that the cestui que trust or beneficial owner of said property or effects, or any part thereof, has been unknown for a period of seven years, and still remains unknown, then, and in such case, so much of said property or effects as belonged to said unknown cestui que trust, or beneficial owner, shall escheat to the Commonwealth, subject to all legal demands on the same."

Be and the same is hereby amended to read as follows:

It shall be the duty of every trustee, guardian, committee, executor, administrator, assignee, or other person acting in a fiduciary capacity, who shall be seized or possessed of any property or estate, real or personal, of which the cestui que trust or beneficial owner shall have been unknown to him for a period of seven years, and still remains unknown, or has made no demand for said property or effects for a period of seven years, to file an account thereof in the proper Court, and so much of said property or effects as belonged to said cestui que trust or beneficial owner, and is not claimed at the audit of said account, shall escheat to the Commonwealth, subject to all legal demands on the same.

STATE EXPENSES.

A useless item of State expense which was constantly brought to the attention in examining the Appropriation Acts, is the printing thereof in full in the pamphlet laws for public distribution. All that is necessary for public information is the name of the Department or institution receiving the appropriation, the amount received, the purpose in brief and the reduction of the appropriation by the Governor, if any. This information could easily be tabulated.

The result will also save bulk. Of the volume of 1909, containing 1,042 pages, fully one-third is taken up with

printing and indexing these Acts, which contain 1,228 items.

Your Committee therefore proposes an Act for that purpose (see page 227).

AN ACT IN RELATION TO THE PRINTING OF APPROPRIATION BILLS IN
THE PAMPHLET LAWS.

SECT. 1. Be it enacted, etc., That hereafter the Secretary of the Commonwealth shall not furnish to the Public Printer for printing in the Pamphlet Laws the full text of appropriation bills, but shall furnish instead a tabulated list of said bills giving the date, the purpose of the appropriation, the amount thereof, and the amount approved by the Governor, and this table shall be printed in the Pamphlet Laws instead of the full text of such Acts as heretofore.

INCOME TAX AMENDMENT TO FEDERAL CONSTITUTION.

An amendment to the Constitution of the United States has been proposed to the States by Congress to meet the decisions of the Supreme Court of the United States that the income tax is a direct tax and must be apportioned among the States by population. The proposed amendment is :

“The Congress shall have power to lay and collect taxes on income, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.”

Arguments against the approval of this amendment were made before your Committee, and others have been brought to its attention by the public prints.

It is argued that this is a source of revenue which should be reserved for the States. It is also argued that it is a direct reversal of the policy of the Constitution which will produce the very evil intended to be guarded against, to wit, the imposition of taxes by the more numerously represented States upon the wealthier States. As the constitutional requirement of uniformity would not apply to a tax levied under this amendment, Congress might go so far under the control of partisans as to direct the tax only at certain of the wealthy Eastern States by name, and exempt the others entirely. Under our system of equal representation by States in the United States Senate it is quite possible, if not probable, for the representatives of a minority to out-vote the representatives of the majority of citizens,

and still more so, to out-vote a preponderance of wealth. The States of New York, Pennsylvania, Ohio and Illinois contain approximately a third of the population and approximately three-fifths of the wealth. When the income tax was levied under the Act of Congress of 1861 the States of New York and Pennsylvania paid nearly half of the tax. It is argued that these possibilities are not merely speculative, and that in framing a constitution possibilities should be considered.

The intention of the Constitution was that the expenditures of the States should be met by direct levies of taxes on lands and accumulated property, and those of the Federal Government for the most part by indirect taxes. This in principle is the way in which the methods of raising revenue are divided between our Commonwealth and its subdivisions. There was reserved, however, to the Federal Government the power to lay direct taxes in case of need, but in order that it might not be exercised except on necessity, and, that the State might have opportunity to pay its quota without the interference of the Federal tax gatherer, it was directed that the tax be apportioned among the States according to population. This took the place historically of the requisitions on the States which were the inefficient means of raising revenue under the Confederation.

Such a need has never arisen, and never will. The indirect taxes can be extended sufficiently to meet all demands of a greatly extended Federal power. Internal revenue alone is capable of supplying it all. Forty-five years ago, when the wealth of the country was much less than now, it yielded \$300,000,000 a year under the stress of war measures.

The wording of the proposed amendment, which permits the laying of an income tax on incomes "from whatever source derived" would permit the laying of a tax upon incomes from State securities, and thus reverse the wise settled policy of the present Constitution that the

United States should not tax State agencies, and that the State should not tax agencies of the United States. As "the power to tax is the power to destroy," and as there will be no requirement of uniformity or apportionment among the States, the Federal Government might coerce the States by taxing its State loans or the loans of its constituent municipal bodies out of existence, as has been done with State bank notes.

Unofficial reports disclose in addition that the amendment has been ratified by five States, as follows: Alabama, Georgia, Kentucky, Mississippi and Oklahoma. Three States, to wit, Massachusetts, New York and Virginia, failed to ratify the amendment, and in Louisiana it is to be submitted to a referendum vote in the year 1912.

Your Committee submits these observations as they have been given to it, but without recommendations, although it is not amiss to say that no representations in its favor have been made.

REQUESTS OF STATE DEPARTMENTS.

Your Committee requested the Attorney General, the Auditor General, the Secretary of the Commonwealth, the Railroad Commissioners, the Secretary of Internal Affairs, the Insurance Commissioner, the Commissioner of Banking, the Secretary of Agriculture, the Department of Health, the State Highway Commissioner, the Commissioner of Forestry, the Commissioner of Fisheries, the Factory Inspector and the Department of Mines, to suggest to the Committee changes of the laws desired by their Departments.

To this replies have been received as follows:

The Attorney General recommended, though not officially, "that the entire legal business of the Commonwealth should be in charge of the Attorney General's De-

partment." It seems to your Committee that it insures promptness and avoids circuitry of communication if those having charge of the legal work of each department should be under the control and direction of the State officer having charge of the prosecution of the work and in direct touch with him. The Attorney General being a co-ordinate officer of the government, there may well be a conflict of authority on matters of policy, which cannot be overcome. Your Committee assumes that in all matters of Governmental and public policy the Auditor General and the heads of all other Departments of State Government would, of course, seek the co-operation of the Attorney General and be guided by his advice.

The Attorney General also recommended that corporation taxes should have preference out of any fund arising through judicial sale, and that such sale should not be valid until a certificate has been filed that there were no unpaid taxes, or if the certificate should show that there were such taxes, they should first be paid. This seems to be covered by the Act of June 1, 1889, Sections 31 and 32, P. L. 437. The policy is the same as that in the Act of May 25, 1907, P. L. 250, referred to elsewhere. (See page 217.)

The suggestion, however, unites with that of the Auditor General in a special communication to your Committee recommending that liens for State taxes be recorded only in the Department of the Auditor General. The Act of 1889, above referred to, says that State taxes shall be first paid out of the proceeds of judicial sale prior to other liens, although entered after the taxes accrued. This is the present system as to local real estate tax. But the Act of April 16, 1827, P. L. 471, requiring the Auditor General to record settlements for the purposes of lien in the county as soon as possible, is still in force. (William Wilson, etc., Co's. Estate, 150 Pa. 285; Gladden vs. Chapman, 188 Pa. 586.) The result is that it is a great labor to file these liens in the

proper county and to follow them up and beyond the strength of the Auditor General's force. It would greatly facilitate collection if the liens need appear of record only at Harrisburg, and this should be coupled with the utmost facilities for making and obtaining searches. Every corporation which mortgaged its property would be under compulsion from the mortgagee to keep up taxes, and the intent of the law would not be defeated by the provisions of an old statute. While this would be a reversal of the present system, it seems to your Committee that it would prove of great value and not inconvenient to those having to deal with corporations.

They therefore present a draft of an act to accomplish this result. (See page 232.)

The Auditor General, in addition to matters elsewhere referred to, as to which his recommendations have in large part coincided with your Committee's own conclusions, has suggested that each assessor get a small fee, say five cents, for each person from whom he procured a return of personal property tax. It is thought that this would produce great diligence on his part. Your Committee feels that the diligence in this regard might be excessive and assessors tempted to secure returns from great numbers of persons who were known not to be taxable simply to claim the fee.

The Auditor General also suggested a stock transfer tax like that of New York. The volume of stock transfers in this State is, of course, not nearly so great as that of our sister State, and your Committee does not feel that the making of such transactions with us should be hampered in this way.

AN ACT RELATING TO TAXATION, AND BONUS ON CAPITAL STOCK.

SECT. 1. Be it enacted, etc., That taxes of every kind, including taxes on loans and bonus on capital stock with interest and penalties thereon due from any corporation, limited partnership or joint stock association of any kind, whether foreign or

domestic, to the Commonwealth shall be liens upon the real estate of such corporation, limited partnership, or joint stock association within this Commonwealth from the time of the filing of a settlement thereof in the office of the Auditor General. Such liens may be sued out by writ of scire facias and execution in the usual manner, and shall be first paid out of the proceeds of any judicial sale of such real estate before any taxes, municipal claims, mortgages, arrears of ground rent, judgments and all other liens and estates whatsoever and whether the same shall accrue before or after the filing of such settlement, provided such settlement shall have been on file and indexed in the Auditor General's office one week before such sale.

SECT. 2. Upon the judicial sale of the personal estate of any such corporation, limited partnership or joint stock association, such taxes and bonus shall be first paid out of the proceeds thereof before any and all other taxes, pledges, chattel mortgages, judgments, debts, liens and estates whatsoever and whether the same shall accrue before or after the filing of such settlement: Provided, That such settlement shall have been on file and indexed in the Auditor General's office one week before such sale.

SECT. 3. The Auditor General shall keep an alphabetical index of the corporations, limited partnerships and joint stock associations against which such settlements shall have been filed, which shall be open to inspection by any person; and he shall, upon the written application of any person and the payment of a fee of twenty-five cents for the use of the State, furnish to such person a certificate showing whether any such settlements are on file in his office against any corporation, limited partnership or joint stock association, and if so, for what taxes or bonus, from what date and for what amount.

SECT. 4. Section four of an Act entitled "An Act relative to the distribution of money arising from sheriffs' and coroners' sales; and relative to the duties of the Auditor General and County Commissioners," approved April 16, 1827 (P. L. 471), be and the same is hereby repealed.

The Secretary of the Commonwealth recommended that "the present laws remain as they are so far as they affect this Department."

The Pennsylvania State Railroad Commission informed your Committee that it had not formulated any amendments to the corporation or revenue laws of the Commonwealth.

The Insurance Commissioner recommended that in place of the various taxes laid upon insurance companies and their estates, that an increased tax on the premiums be laid, and that this be extended to all companies except fraternal orders. This matter has been elsewhere discussed.

The Secretary of Agriculture recommended that "all property of every class, whether real or personal, should be made to bear an equal proportion of the burdens of taxation for State as well as local purposes." It seems to your Committee that so far as this is a suggestion that it should be attempted to tax all personal property alike, it is a step away from Pennsylvania's ancient and admirable system toward the system of which other States are gradually getting rid. As elsewhere noted it results only in real estate and the honest owner of personal property continuing to bear the burden, while the tax dodger escapes.

The Department of Forestry has no recommendations.

The Department of Fisheries recommended the imposition of a small license fee on several devices not covered by the present fish code. These, however, were stated to be trifling and the Commissioner proposed to submit them to the Legislature in a separate communication.

The Factory Inspector recommends that all steam boilers in the State, except locomotives and boilers in private houses which carry a pressure under ten pounds, be subjected to State inspection and a charge made of \$5.00 for internal examination and \$3.00 for external examination,

no boiler to be inspected more than once a year. He reports that there are in the State from 45,000 to 50,000 boilers and that the number is rapidly increasing; that the cost of inspection can be kept within \$50,000 a year with a force of 25 inspectors to be made a part of his department without creating a separate department and the expense incident thereto. This would mean a substantial revenue to the State. The work is now being done by casualty companies, 97 per cent. of whom are foreign and the fees therefor are going out of the State. He has prepared an Act to accomplish this end. If the work now done by individuals can be as effectively done by State officials and will result in increase of the State revenue (of which the Committee is not informed, but assumes that the Factory Inspector believes it can) the bill should commend itself to your Honorable Bodies.

The Factory Inspector also recommends a tax on coal and oil. This matter has been discussed elsewhere.

The Department of Mines recommended that the coal industry be so taxed as to provide a fund to take care of the employees injured while at work and those dependent upon them. In discussing the laying of a tax on anthracite coal your Committee has indicated that the fund thus derived will work to this end by reason of the increased aid to charities which can be given.

STATE CENSUS.

Without adequate facilities for collecting original statistical information upon the subjects of investigation, your Committee has been greatly hampered by the entire lack of such data as were needed gathered elsewhere. The Census of the United States was ten years old and deductions from such figures were only guesses. Even the information thus given was not at all of the character required. The Bureau of Industrial Statistics, admirable as

its work is, covers only a small part of the field and is compelled to depend on information voluntarily given. Accurate and recent figures could nowhere be obtained, for example, as to the capitalization of manufacturing corporations in the State, the amount of local taxes raised on anthracite coal, the amount of estates which would be subject to direct inheritance tax, and dozens of other subjects of which your Committee sought to treat. Agricultural statistics which would be of great value are not obtainable.

Massachusetts takes a most thorough census every tenth year midway between the censuses of the United States and it has proved of the greatest value to the State. The machinery of her Census Bureau is made use of by the United States Census Bureau, and a compensation for it paid to the State which goes very far toward reducing the net cost. Your Committee believes that a similar census would prove of the greatest value to this, much larger, wealthier, but surely not less progressive State, and strongly recommends legislation to that end.

Owing to these difficulties your Committee is unable to present a comprehensive summary of the amount of taxation which it is believed will be raised as a result of the measures hereby recommended. In connection with some particular items an estimate is given but this is as far as they can safely go.

Your Committee feels, on the whole, that to this point their work, under the circumstances which they have had to meet, has been in a large part preliminary only. Realizing the need, as stated, for more State revenue and for the correction of some abuses long complained of and very patent, they have submitted measures which they

believe are conducive to those ends. Your Committee begs the earnest attention of the Legislature to its recommendations and confidently believes that your earnest interest and co-operation in the consideration of the subjects entrusted to them will be productive of results beneficial to the Commonwealth and her many activities.

Respectfully submitted,

JAS. P. McNICHOL,

Chairman;

WM. H. KEYSER,

WM. C. SPROUL,

JAS. F. WOODWARD,

D. HUNTER, JR.,

GABRIEL H. MOYER,

Vice Chairman and Secretary.

THE JOINT COMMITTEE OF THE SENATE AND
HOUSE OF REPRESENTATIVES OF THE COM-
MONWEALTH OF PENNSYLVANIA TO CONSIDER
AND REPORT UPON A REVISION OF THE COR-
PORATION AND REVENUE LAWS OF THE
COMMONWEALTH.

Philadelphia, Pa., January 28, 1910.

Public meeting of the Committee held at Room 496, City Hall, Philadelphia, Friday, January 28, 1910, at 11.00 o'clock A. M.

Present:—Hon. James P. McNichol, Chairman; Gabriel H. Moyer, Vice Chairman and Secretary; Wm. C. Sproul, William H. Keyser, James F. Woodward, David Hunter, Jr., of the Committee; Francis Shunk Brown, Esq., Counsel.

Mr. McNichol: This Committee was appointed by the State Legislature for the purpose of investigating the taxation laws and revenue laws and the expenditures of funds paid into the State Treasury. We have selected Francis Shunk Brown as the attorney representing this Committee. He has gone into this matter very thoroughly for the last three months, and he will detail to the ladies and gentlemen present the purposes and the program that has been arranged for the conduct of these meetings.

Mr. Brown: Mr. Chairman and Gentlemen of the Committee, Ladies and Gentlemen: It is hardly necessary to tell an audience such as this of the causes which prompted the Legislature of Pennsylvania to provide for the appointment of the Committee which is sitting here today. The subject of taxation has been agitating not only all of the States of this Union, but all countries of the earth,

and as many other States have been making a move towards the investigation of this subject, it was eminently fitting that the State of Pennsylvania should make a similar effort.

Mr. Chairman, I think it would be well to read the Act of Assembly at this point, so that everyone present may know the scope of this Committee's work.

“A concurrent resolution providing for the appointment of a joint Committee of the Senate and House of Representatives to consider and report upon a revision of the Laws of this Commonwealth relating to corporations and to revenue; for the employment of counsel and other necessary officers and employes, and giving it authority to compel the attendance of persons and the production of books and papers.

“Resolved, That the President pro-tempore of the Senate shall appoint three Senators, and the Speaker of the House of Representatives shall appoint three of its members, which shall constitute a joint committee whose duty it shall be to consider the laws of the Commonwealth relating to corporations and to revenue and the practical working thereof, and to report to the next Legislature whatever changes may be deemed necessary therein, together with the draft of an Act or Acts of Assembly to accomplish said changes, and together with such recommendations as may be deemed necessary relative to the administration of existing laws or as to the enforcement of said suggested Act or Acts. Said Committee shall have power to elect its own Chairman, to sit after the adjournment of the Legislature, to employ legal counsel and such other officers and employes as may be needed to enable it to properly perform its duties as aforesaid; but its expenditures shall be limited to the amount provided therefor in the general appropriation bill to be passed at this session of the Legislature, and shall be paid out of the State Treasury upon vouchers signed by the Chairman of said Committee.

“Said committee shall also have power to issue subpoenas signed by its chairman, requiring the attendance of persons and the production of books and papers, as in its judgment will assist in the performance of its duties as aforesaid.

“Said Committee shall make a full report, in writing, to the Governor of the Commonwealth of its findings, with such recommendations as it may deem proper, six months prior to the meeting of the General Assembly in the session of 1911.”

Now, this Act was approved May 13, 1909. Immediately thereafter this Committee proceeded to search for information. It has gathered data from all over the world; it has collected all of the laws from the different States of the Union; it has also collected the reports of commissions similar to this which have from time to time been appointed by these States, and has considered the result of their labors. We have delayed public meetings for the reason that the National Government, as you all recall, in the summer of last year, passed an Act which directly applied to the taxation of corporations, and it was deemed unwise by this Committee that there should be any further consideration or public consideration or agitation of this subject at that time or at least until the Secretary of the Treasury and other officials should have perfected some scheme so that we might know how it affected, directly or indirectly, the interests of our people. That was done in December of last year. In fact, we are still considering it, but I think it has gotten into such shape that this Committee is justified now to proceed with its public meetings and in the further performance of its duties.

Of course, you will all appreciate that the first thing to consider is that before the Commonwealth of Pennsylvania should levy taxes from her people, they should be in some way or other determined by the expenditures, the uses which are to be put these moneys, and the thought

was that as the private hospitals or institutions not under State control, but receiving State aid, demand each year, say \$10,000,000 and received, as I recall last year, \$5,000,000 it would be a good starting place to determine and ascertain whether or not the State of Pennsylvania was properly appropriating these moneys. That is, whether or not if it was whether it was doing it in a way from which it was getting a return which would justify such an appropriation; in other words, whether these moneys were being used not in the way intended to be used. This is an investigation to determine whether the Commonwealth is getting a dollar's return for every dollar's expenditure, and if not, whether some scheme which would probably be more economical could be devised for obtaining the same results.

Now, I have sent, in the performance of the duty of this Committee, or the Committee has had sent out since December 1st, 23,000 letters. They have gone to all the National Banks, State Banks, Trust Companies, Savings Institutions, Bankers, The Lawyers Club, Philadelphia, Law Association, Philadelphia, Lawyers in Pennsylvania, Newspapers in Pennsylvania, Trade Journals in Pennsylvania, Commercial Journals in Pennsylvania, all County Bar Journals in Pennsylvania, Dental Journals in Pennsylvania, Legal Journals in Pennsylvania, All County Bar Associations in Pennsylvania, Pennsylvania Bar Association, Trade Associations in Pennsylvania, Business Associations in Pennsylvania, Building and Loan Associations of Pennsylvania, all Judges of all Courts in Pennsylvania, Insurance Companies; State Officials, County Officials (every county) Members of State Senate, Members of House, Mayors of principal cities, boroughs, etc., Hospitals, Homes, State Institutions, semi-State Institutions, Manufacturing Companies in Pennsylvania, Gas Companies, Water Companies, Land Companies, Land Improvement Companies, Homestead Companies, Hotel Companies, Miscellaneous Companies in Pennsylvania, Brick

Companies, Clay Companies, Stone Companies, Slate Companies, Quarry Companies, Bridge Companies, Turnpike Companies, Brewing Companies, Distilling Companies, Coal Companies, Coke Companies, Coal Mining Companies, Oil Companies, Mining Companies, Light, Heat and Power Companies, Market Companies, Railroad Companies, Railway Companies, Transportation Companies, Ferry Companies, Telegraph Companies, Telephone Companies, Fertilizer Companies, Electric Light Companies. There is now being sent a circular letter to all foreign corporations doing business in Pennsylvania, in so far as they are registered with the Auditor General.

That letter recited the resolution in substance; and further:

“The Committee is collecting data upon the formation, regulation and taxation of corporations and the appropriation of State Revenue for all purposes, in this State, in all of the United States, by the Federal Government, and by other nations. These subjects are being specially discussed and legislated upon at the present time throughout the world.

“The Committee desires the co-operation of all interested in these subjects and requests your opinion as to any defects in the present laws of the Commonwealth relating to the formation, regulation and taxation of corporations, associations, partnerships or individuals, the exemption of them or any of them from taxation, the appropriation of the Revenue of the State, and any changes therein which you make think necessary.

“You will notice that the resolution requires a report of the Committee to be filed with the Governor in July, 1910, and we therefore request an early reply, as it is important that all suggestions be received for consideration prior to the public meetings which the Committee may hold. We should also be glad to have from you the names and addresses of any persons whom you may know who are specially qualified to give to the Committee infor-

mation and assistance in the consideration of these most important subjects.”

I might say that up to date the Committee has received approximately 5,000 replies to this communication, with all manner of suggestions for other laws covering all subjects which are included in the general scheme of the Commonwealth's taxation, and, personally, I have been very much gratified by the interest that the people of this Commonwealth have taken in this subject. That is just merely preliminary to our meeting to be considered today and for general information. I assume the first one to call in order would be to hear from our State Board of Charities, as being the supervisory body of these institutions, and I would call upon the Secretary, who is here to represent them, Mr. Bromley Wharton.

Mr. Wharton, do you wish to make any preliminary statement or remarks? If not, I have some questions I would like to ask you.

Mr. Wharton: I would be glad to answer any questions.

By Mr. Brown:

Q. Upon what does the State Board of Charities make its recommendations to the Legislature for appropriations to institutions not under State control?

A. Upon the reports which we gather from those institutions, of which I have a copy. This report shows the financial statement, the number of hospital days, free hospital days, based upon the free work done by the hospital.

Q. What investigation is made by the Board itself in addition to the report which you receive; what do they do to verify this?

A. The Legislature of 1907 gave the Board of Charities two assistant general agents. Those two men in connection with the Secretary and General Agent visit these institutions, sometimes two and three times a year when it is necessary to verify the reports furnished yearly at the end of the fiscal year, May 31, to the Board.

Q. What has been the result of the personal investigations which have been made by the Board as to the use of the State's money given these institutions?

A. On the whole, I would say it was wisely used, exceedingly so.

Q. How about economically used; does that "wisely" include economically?

A. Yes, I would say economically.

Q. Has your experience in these investigations prepared you to make any suggestions as to the consolidation of any of these institutions, whether that could be wisely done in the way of economy?

A. Well, I think that depends on the localities. I think in some of the larger cities the consolidation of some of the hospitals would be beneficial.

Q. Would that in any way diminish the advantages which the people would receive because of the accessibility of the several hospitals which might be consolidated?

A. That, of course, would depend on circumstances. There are cases where two large hospitals are near each other; they might be consolidated. I do not mean where they are far apart.

Q. How many hospitals have they in the State of Pennsylvania, if you recall, 154 or something like that?

A. One hundred and forty-seven, receiving State aid.

Q. In how many counties?

A. Sixty-seven.

Q. In how many counties?

A. Sixty-seven—147 hospitals, 93 homes. Of course, I am not going into State institutions.

By Mr. McNichol:

Q. How many State institutions?

A. Twenty-four.

Q. Located where?

A. Insane: Norristown, Danville, Warren, Harrisburg.

Q. Can you have those scheduled for us?

A. Yes, sir, we can do anything you want, I will submit that.

By Mr. Brown:

Q. What counties have no hospitals? About how many, not to go into details, because you have the table?

A. Eighteen.

Q. There are eighteen counties in this Commonwealth that either have no hospitals or have no hospitals receiving State aid?

A. Yes, sir.

Q. How are the people there provided for?

A. By the nearest hospital. For instance, Adams County, I will give you this as an illustration, the nearest hospital is the Todd Hospital in Carlisle, Cumberland County, and in Bucks County the nearest hospital would be Frankford, on the outskirts of Philadelphia, and the Norristown Hospitals; Cameron County would be Elk County; Carbon would be Wilkesbarre and Allentown. I have all these worked out for you.

Q. What is the proportion of the amount that these several hospitals receive from private sources as compared with the State aid?

A. Well, I have to quote here. I will take some of the big Philadelphia hospitals and some of the hospitals outside. I will submit this to you: Take May 31, 1908, to May 31, 1909, one year, take the Jefferson Hospital. From their reports I take these figures: their receipts from all sources would be \$211,481; the State contributed to that for one year \$80,000, leaving a balance of \$131,481. The University Hospital receives \$198,864; of that the State contributed \$62,500, leaving a balance of \$136,364.

By Mr. Moyer:

Q. Have you anything there that shows the amount received from donations?

A. Yes, sir, I can give you that.

Q. Not from the pay of patients?

By Mr. Brown:

Q. I presume in your items of receipts there would be interest on the investments?

A. Yes, sir.

By Mr. Moyer:

Q. Pay patients, too?

A. Pay patients, yes. The University Hospital, from donations for current expenses, \$8,376.89. I have got this in detail for every hospital in the State.

By Mr. Brown:

Q. How did that proportion compare with the other sections of the State? I mean, do the other institutions throughout the State receive private donations that compare to the same proportion as those two institutions you have mentioned.

A. Yes, sir, all through the State they receive private donations, from fairs, entertainments and various other ways and means of raising money. In looking over it I see the donations are given of all other hospitals.

Q. The donations from the State have been annually increasing as I understand. Have the private donations been increasing in like ratio? In other words, has the State appropriation tended to a diminution of the gifts from private donations either during life or by will?

A. Yes, I would say they have, for the reason that if I have so much money given to me you are not likely to give me the same amount of money. In Pittsburgh, however, within the last few years, in making our recommendations to the Legislature, in many cases they have

said if the Legislature will give us so much they would duplicate it. I refer to the South Side Hospital particularly, to which a great deal of money has been given, and I find that often to be the case where we have made a recommendation that they have duplicated the amount, even giving more than the Legislature has given.

Q. How does it apply to other sections of the State?

A. Some other sections have done the same way. Elk County particularly comes to my mind, where the Hills have given a great deal of money.

Q. Have you made any investigation to ascertain whether or not the increase in the request for appropriations has been in proportion to the accretion of the capital of the Commonwealth?

A. No, sir, not particularly.

By Mr. Moyer:

Q. Can you furnish us with a list of endowment funds of these several institutions?

A. I think I can, yes, sir.

By Mr. Brown:

Q. How do other States provide for the institutions?

A. There are thirty-four States, from what I gather, that only contribute to the State institutions; out of the total thirty-four contribute to the State institutions, make appropriations to State institutions only.

Q. Have you attempted or has your Board attempted to ascertain the reason for this?

A. No, we have not.

Q. Why the State of Pennsylvania should be an exception to the general rule?

A. We have not. Today the condition that is confronting us in this State is different. Pennsylvania is a big workshop, with its factories, its mines and mining interests. When we consider that in Allegheny county there are 60,000 employed in the mine and steel district, it requires hospitals.

By Mr. McNichol:

Q. Has not the State provided hospitals of that character for such people?

A. Not in Allegheny county.

Q. Has it inaugurated the system within the last four years?

A. Yes.

Q. Under State supervision?

A. Yes, sir.

By Mr. Moyer:

Q. The Miners' hospitals?

A. Miners' hospitals.

By Mr. McNichol:

Q. What is your thought as to that system in comparison with the one in operation in Philadelphia?

A. They are necessary, there is no doubt about it.

Q. I mean as to the management and efficiency of the same?

A. The management and efficiency of the State hospitals we consider very good.

Q. How could you give any comparison to the system in operation in Philadelphia? Have you made any observation of it in person?

A. No, sir.

Q. Do you not think that that would be information which the Legislature should have when it is considering this subject?

A. Undoubtedly. While we have this many hospitals concentrated throughout the City, in the mining regions they do not always cover the amount of ground we care for.

Q. Well, they will eventually do that when we give them sufficient money?

A. Take Jefferson County, Punxsutawney, through the

soft coal region, we have not any mining hospital right there. Near there there is a private hospital.

Q. You gave us a receipt of the different hospitals in Philadelphia. Is there incorporated in that all the money these hospitals receive outside of private donations, private rooms and things of that kind?

A. That is for maintenance. I am not discussing the buildings at all.

Q. Jefferson Hospital receives \$211,000?

A. Yes, sir.

Q. Of which \$80,000 comes from the State?

A. Yes, sir.

Q. Do you want us to believe that \$131,000 is all that the Jefferson receives from all sources outside of private subscriptions?

A. That is all the receipts that I have here.

Q. Well, I know, but how thoroughly have you gone into the receipts?

A. Well, I can only take this that has been given to me under oath.

Mr. Brown: Mr. Potter is here representing the Jefferson Hospital.

Mr. Wharton: For instance, from patients, I will give you the detail of the total which you hold in your hand:

From patients full paid	\$71,403
From patients part paid	12,691
From State appropriation	80,000
From municipal appropriation, annual	375
From donations for current expenses	5,654
From investments for income	13,754
From nurses for service	5,342
From all other sources	7,094
From sale of drugs	15,166

Making a total of \$211,481 for that year, leaving a deficit for the year of \$1,403.

By Mr. McNichol :

Q. Nurses are paid for by the patients of the hospitals?

A. Yes, sir, but they may have nurses outside.

Q. Principally hospital nursing?

A. Yes, sir.

By Mr. Hunter :

Q. Do you know whether or not any of the institutions receive aid from the counties in which they are located?

A. In this case I have before me, the Municipal, the City of Philadelphia gives \$375 for the ambulance, and in some cases I can tell you that. I will submit this to you. In some cases I find they give a small amount. It is very small.

Q. Do you think the county should contribute to the support of these hospitals?

A. Yes, where they can, but there are so many counties in debt, the taxes, county taxes, and township taxes are so high, and road taxes and so on, they do not have the money to do it. The State being out of debt, they look to the State to help them.

By Mr. Brown :

Q. Mr. Wharton, in your opinion is there any necessity for the construction of State institutions additionally, and if so, for what purpose?

A. I think there is, especially for the insane. We have over 16,000 insane in Pennsylvania. We are overcrowded in Philadelphia County. We are overcrowded in State institutions and it is of great importance to have these institutions completed that are under way. For instance, Allentown, which should be completed at once, and in Southwest Pennsylvania Dixmont is overcrowded.

Q. When was Allentown commenced; 1901, was it not?

A. 1901 or 1902.

Q. And it is not finished yet?

A. Is not finished yet, and in my opinion, if it is of im-

portance, the system of giving small amounts to hospitals, instead of giving the amount necessary to complete it and have the thing done, of every session of the Legislature, giving a couple hundred thousand dollars, it is all wrong. For instance, at Allentown we are commencing to re-paint and varnish some of the rooms anyway before the buildings are ready.

Q. Is it your opinion, assuming that the State has not sufficient to do both at the same time, that the construction of the State institutions should be preferred?

A. Absolutely. They should take care of the State institutions first, and then after they have done that give them what they need.

Q. Does the State ever give to the State institutions all that is needed for the completion of its buildings?

A. Not in my recollection.

Q. In other words, it has been pared down at the request of private institutions?

A. It has always been pared down to some extent.

Q. You have been asked by Mr. Hunter, of the Committee, about the counties, why the counties cannot support the institutions; I am asking the result of your investigation as well as your personal opinion?

A. So far as my investigation has gone, the counties are mostly in debt. It is very hard to get the County Commissioners to take care of the almshouses and the jails proper. I am having a great deal of trouble to get attention and money for the almshouses and jails. When it comes to a hospital, they will not listen to such a thing.

Q. In other words, the demands of patients for rooms in those institutions, almshouses, exceeds the supply. You think the State institutions should be completed first?

A. I do.

Q. And would the completion of the State institutions have affected the appropriations for these several institutions in the last five years, if you can give it to me off hand without hunting up data?

A. I do not think it would affect them very much, to some extent it might, probably a small amount, but if it was divided up equally it would have not been a great hardship. I think we could have built Allentown and completed Spring City without great hardship.

Q. Has the investigation of the Board been in the direction of determining whether or not these institutions are using the State money economically; in other words, getting a dollar for a dollar?

A. We have been in regards to State institutions sometimes; we thought they were extravagant. I have often asked them whether they had to do this or that and asked for explanations. You know every institution has its own Board of Directors and they are managed independently, that is to say each institution buys for its own institution. It is a thing we have not gone into very carefully.

Q. You have not considered whether or not it would be better for the State of Pennsylvania to purchase the several supplies which these institutions use in large quantities and then distribute them among all on requisition according to their needs?

A. I should think it would be a good business policy, it looks that way. If we could buy 15 or 20 carloads of flour, instead of buying a few hundred barrels, you might get it a great deal cheaper.

Q. Has the Board made any investigation to ascertain as to the prices paid and made a comparison as to whether or not that could be done, or is that your personal opinion?

A. It is my personal opinion. We have not gone into the question of contracts.

By Mr. McNichol:

Q. Has the State Board of Charities taken up the question as to whether a central board having supervision over all of these State institutions would be able to more economically run those institutions?

A. We have never taken that question up.

Q. Do you not think it is the duty of the State Board of Charities to recommend to the Government and State Legislature such things as that?

A. I never considered it in that way, Senator.

Q. I know, but this is an age of consolidation wherein one central office is used for the distribution of all the paraphernalia and matters of that kind in government?

A. It might be. Of course, we have discussed the thing among ourselves, but we have never made any recommendations.

Q. Is not that the condition of the State of Pennsylvania today, an accumulation of thoughts and ideas without any centralization?

A. Yes, it is. There is something in what you say.

Q. And there has been no attempt to remedy that by suggestion from the State Board of Charities; the Legislature is pretty sure to act upon suggestions from people in those positions, and they have failed to furnish those in the last five or six years in my knowledge, and now we are asking for those thoughts?

A. It is the first time in my knowledge that the Legislature has ever asked for their opinion.

Q. Would it not be the thought of a man engaged in a work of that kind that he would be apt to give the best ideas or thoughts without having to be called?

A. My idea and recommendation has never been seriously considered.

Q. Possibly because it was not very seriously made.

A. I beg your pardon. I think the recommendation we made at the last session of the Legislature was seriously made.

Q. The last vital suggestion made by yourself was the economical management of the whole proposition?

A. We have never had any time to discuss it; the bills we proposed were never heard.

By Mr. Brown:

Q. Your supervisory board visits these institutions and reports whether or not the moneys which they request are sufficient amounts or proper amounts, and they are to approve or disapprove them?

A. Yes, sir. We make our recommendations under the Act of 1869 to the Legislature. We are to report to the Legislature. As I told you, the basis of everything is these reports we get.

Q. Suppose the institution wants \$50,000 for maintenance and \$50,000 for buildings, and one or two thousand dollars for fire appliances and a sewer disposal plant and a half a dozen other things, what does the Board do to ascertain whether those items are proper on which they could make a recommendation to the Legislature?

A. We discuss that with people who come before us; we interrogate them and then we send an agent, and members of the Board, if there is any question, go to the institution, or we have reports as to the necessity of these things before us, and then we recommend to the Legislature, not always what they ask for.

Q. No, I notice in the Markleton Free Hospital they asked for \$30,000 maintenance and \$5,000 for buildings, and the application was disapproved. Taking that for a concrete illustration, what was the cause of your disapproval of their application?

A. In that case we thought it was a tuberculosis institution, and as Dr. Dixon and the Department of Health have taken care of that class, we did not approve it. It afterwards turned out that it was a general hospital, and we recommended some \$5,000.

Q. What do you do in cases of institutions reporting deficits; I notice a number of institutions report deficits; some are approved and some are disapproved; in other words, they have overrun the appropriations?

A. As a rule we do not make any recommendations for deficits. There may be one or two isolated cases.

By Mr. McNichol:

Q. What effort do you make in cases of State institutions receiving their appropriations and having a deficiency at every session of the Legislature, to find out whether that deficit is a proper one?

A. Up to the last session there was always a deficiency bill. We never opposed those bills, because as a rule we thought they were proper. The insane hospitals particularly, they have been all right, because the population has been increasing right along. In the private institutions you refer to?

Q. I refer to the State institutions?

A. Yes, the State institutions, we never have opposed any of those.

Q. Do you not think the Legislature should be informed as to what brought about the deficiency, and the calculations of the authorities based on their reports? They come into the Legislature with \$85,000 or \$100,000 deficiency in a period of two years?

A. Well, if you remember for some years the maintenance of the insane hospitals has been about \$2,000,000, and we increased that \$500,000 and we found that was not sufficient. I went before the Committee, I think the Chairman of the Appropriation Committee will bear me out, and they increased it to \$3,000,000.

By Mr. Brown:

Q. I notice in reading your report and considering the report of the Board that the per capita cost seems to vary in each institution. Have you endeavored to ascertain why that is?

A. In the larger hospitals greater population is probably the chief thing. In the country it varies in the different localities. I find in the mining regions those things are higher.

Q. Take, for instance, the Pennsylvania Institution for the Blind at Overbrook. I notice the cost of maintenance

is \$2.70 per capita, and at a similar institution for the blind at Pittsburgh it is \$3.50 per capita; they are both in cities?

A. Yes, sir. I cannot explain that.

Q. I notice also in some of your recommendations you attach a condition recommending the appropriation, providing the institution itself raises so much. Why is that done for some and not for others; is there any general actuating motive or principle?

A. There is. In some cases we think they have not done as much for private charity as they ought. We know the locality; the community is rich enough to do something for that hospital and very often we put that proviso on.

Q. Then you do consider the element of private contribution in recommending the appropriation?

A. Yes, certainly we do, and where a hospital has done a great deal towards private charity we consider it.

By Mr. McNichol:

Q. That pertains to hospitals largely?

A. I am considering private hospitals.

By Mr. Moyer:

Q. Is it not a fact in nearly all cases they are very anxious to load the burden of taxation and burden of supporting hospitals on the State, and exonerate themselves thereby?

A. Yes, in many cases.

Q. You find that pretty generally true?

A. Yes, sir.

By Mr. Brown:

Q. To what do you attribute that, purely self-preservation?

A. I think so.

Q. To let somebody else carry the load?

A. It is probably a human trait.

By Mr. Moyer :

Q. You do not want us to infer that that is the general condition?

A. Oh, no.

Q. The manner in which you treated it might lead the people to believe that was a general condition?

A. Very often in some towns doctors may have a private hospital, and the doctors may have a disagreement and they go out and start another hospital.

Q. In other words, it is a disagreement amongst the medical fraternity?

A. Sometimes.

Q. Is it a gentlemen's agreement?

A. A gentlemen's agreement.

By Mr. Brown :

Q. In your opinion does that element figure very largely in the matters in this Commonwealth?

A. No, not exactly.

Q. As I understand you, they are isolated cases?

A. They are isolated cases.

Q. Is there anything else you want to say for the benefit of the Committee?

A. I will hand over some statements to you.

By Mr. Sproul :

Q. I would like to ask Mr. Wharton one question. Is it your opinion that the general result of this system as practiced in Pennsylvania has led to as good or better care of the worthy and deserving poor in the hospitals and institutions of the State, than in other States which do not make these appropriations?

A. In my slight experience in other States, I think our system is better.

Q. Do you not think they are better cared for in Pennsylvania than in other States?

A. I do.

Q. You think there are more facilities and more provisions for taking care of poor people, especially considering the large proportion of the population of this State which is engaged in what you call precarious occupations?

A. Yes, sir, I do, and I think it is less trouble to get a worthy man in an institution. There is less red-tape about it. I think there is more charity. I wanted to submit this, the amount of maintenance expended from June 1, 1907, to May 31, 1908. That is the maintenance entirely.

By Mr. McNichol:

Q. Mr. Wharton, I think if you will get up a statement with the recommendations of the Board of Charities and give us their ideas and views, what they would suggest and recommend in that particular line of work, it will give us the information we are seeking and we will not have the trouble of hunting through memoranda and papers of that kind to get an outline of what we want.

A. I did not know exactly what you wanted.

Q. We think the Board of Charities should at least be able to give us some recommendations on which we would base our report?

A. We would be very glad, indeed, to do it. That is all I have to submit.

DR. CHARLES C. HARRISON, University of Pennsylvania, called.

Mr. McNichol: What do we understand the Doctor is going to speak about?

Mr. Brown: The thought is this, these gentlemen have been invited here today to consider the subject from the standpoint which I indicated in my brief opening, and I propose, with the approval of the Committee, to ask questions similar to those asked of Mr. Wharton, to get their views and their judgment. These men asked here to-day are representative citizens of this Commonwealth, and I think we are entitled to have the benefit of their best judgment and their experience.

Dr. Harrison: Have you any questions you desire to ask me?

Mr. Brown: Do you desire to say anything preliminary?

Dr. Harrison: No, sir, I would be very glad to answer any questions, to save the time of the Committee.

By Mr. Brown:

Q. Do you think the State of Pennsylvania should appropriate money for institutions not under her control? That is a very comprehensive question, now.

A. I think it ought to do so, under very wise discretion and knowledge of each case.

Q. Take, for instance, the one that is nearest to your heart, take the University of Pennsylvania. Do you think the State of Pennsylvania should appropriate money to various institutions, and if so, why?

A. Of course, there is a moral reason and a legal reason why the State of Pennsylvania should contribute to the support of the University of Pennsylvania. The very first Constitution of the State provided that one or more institutions of learning should be supported and maintained by

the State of Pennsylvania. That was as early as '76, and the State of Pennsylvania. That was as early as '76, and State in the Union which has such a provision in its Constitution. Further than that, while the organic relation between the University and the State has not been so close that it is a State controlled institution, by the courtesy of the University the Governor of the Commonwealth has from the beginning been an ex-officio trustee of the University and we have been obliged to make our returns to every session of the Legislature of our needs, so that they might be supplied by the Legislature.

Q. Is it your thought, speaking from a constitutional standpoint, that that assistance which was originally given when our institutions were in their almost primeval conditions, certainly elementary conditions, should be continued now when the people are so prosperous?

A. I think that is a question which lawyers will have to answer. We are advised by the highest counsel of the State of Pennsylvania, as I recall, that the State of Pennsylvania is under legal obligations to the University of Pennsylvania. I could not as a layman answer that question. You can answer that question.

By Mr. McNichol:

Q. Under legal obligations or moral obligations?

A. I think, Mr. McNichol, under legal obligations to the University of Pennsylvania. I believe the highest legal authority in the Commonwealth would say that the State of Pennsylvania is legally bound to maintain the University.

Q. Would it be possible to have that opinion filed with the Committee?

A. I think it would.

Q. We would like to have it.

By Mr. Brown:

Q. Take the next reason, as to the utility of the in-

stitution and its part in promoting the welfare of our people as a reason for it, what is your thought on that?

A. Well, the answer which I would make to that question would be this: There are now at the University of Pennsylvania 5,033 students; of that number about 3,500 come from the State of Pennsylvania.

Q. Including Philadelphia?

A. From the State of Pennsylvania. Of the total number at the University, which is now 5,033 students, under 500 instructors—3,500 or precisely 3,495, I say in speaking round numbers—3,500 come from the State of Pennsylvania.. I cannot say that this year every county in the State of Pennsylvania, every one of the 67 counties is represented in the University, but last year all but one county in Pennsylvania was represented at the University. I infer that this year every county has been represented, because there is a very large increase in ratios.

By Mr. Moyer.

Q. Are there any free scholarships granted by the University?

A. Dr. Smith, who is here, has a list of the scholarships; he has that in detail and will leave that with the Committee; he has full information upon that point. I would like to say this briefly, taking as little time as possible, that I think it is well understood, of course, without my trying to explain it, that almost every interest, every human interest in which this Commonwealth is concerned, has its origin in the work which is done at the University of Pennsylvania, and that the 5,000 young men who are working there do represent all the interests in life which the Commonwealth enjoys. That is, you may take the scientific work they are doing, or the chemistry, or the engineering, or the work they are doing in their preparation to become teachers, and there are great numbers of those, or the work they are doing in preparation for admission as members of the bar or medicine. That

is, you can hardly conceive of any one of the activities of the Commonwealth whose origin has not been at the University of Pennsylvania.

Q. Assuming that there is not sufficient revenue to properly provide according to the requests of these several institutions, and there is admitted that there should be additional State institutions or the finishing of present State institutions, which do you think should be preferred; have you given that subject any thought, any serious thought, I mean, for the purpose of public expression? If you have not, I cannot expect you to answer it.

A. I have not given the subject thought. Of course, naturally, the State would, in my judgment, be called upon to complete the institutions which it has under its own control and which it had undertaken to erect and maintain. There is another question involved in that, of course.

Q. Those of the insane, indigent, the weak minded, and similar institutions?

A. It seems to me in any case where the dependent classes of the Commonwealth are involved, that they should have a prior claim upon the Commonwealth.

Q. Have the State appropriations, from your experience, tended to diminish private contributions?

A. Well, I would rather speak conservatively of the University of Pennsylvania.

Q. I will not say private contributions, but I would say the contributions which you have been able to get?

A. I have a statement during the past thirteen years of the relation of the State aid and private gifts to the University of Pennsylvania.

Q. How does that compare generally?

A. During the last thirteen years, that is, from 1894 and 1895 to 1907 and 1908—I have not taken the last legislative grant which has been just coming in—the State of Pennsylvania contributed towards the educational work

of the University of Pennsylvania, I mean outside of its hospital work, and when I say educational work I include also the veterinary department, which is almost a State institution and should be so considered, the total of \$693,000 in round numbers. The total of gifts and bequests at the same time for educational purposes was about \$6,500,000, so that the relation of the State aid educationally to the University of Pennsylvania and the relation of private gift has been about ten per cent., but this entirely excludes any computation of the income from investments or the income from tuition fees.

Q. Those are direct contributions?

A. Those are, absolutely, made current by the University.

Q. You have mentioned about the money which has come in. We have received a number of letters complaining about the time of the year when the State appropriations are available?

A. We have no complaint to make about that at all. I have the hospital figures also.

Q. To what uses are the State moneys put by your institution, have you any special account?

A. They are applied precisely for the purposes for which application was made. That is, during the last session of the Legislature a grant was made of \$130,000, for two years, for the current expenses of the University, including equipment. We have not drawn upon that fund yet; it will be drawn upon and applied for the purposes for which it was made. Another grant was made for the veterinary department, which will be applied to that department.

Q. What do you include in current expenses?

A. Anything excepting the building account.

Q. The maintenance?

A. The maintenance of the University, what we call the general maintenance of the University.

Q. Is there any limitation upon the access that charity patients have to your institution?

A. There is none, Prof. Smith, who is in charge of that, is prepared to answer you any question on that point, and he can answer any question in relation to internal management better than I can.

Q. Have you given any thought to the question of whether or not it would be better for the State of Pennsylvania to purchase the supplies which these institutions use and then distribute them on requisition; take, for instance, flour, sugar, salt and staple articles?

A. Those are bought under the direction of the hospital, and Mr. McFadden can answer that question better than I can.

By Mr. McNichol:

Q. What is your appropriation for 1909 and 1910?

A. The last session of the Legislature made an appropriation of \$480,000, and that was divided in three departments; \$150,000 given for educational purposes, of which \$20,000 was for the library of the University, and \$130,000 for maintenance, that was \$150,000, and \$130,000 was given to the veterinary department, making \$280,000, and \$200,000 to the University Hospital, making \$480,000.

Q. What was your appropriation for 150 years up to within ten years ago?

A. Well, until about 15 years ago we received very little.

Q. About \$30,000, was it not?

A. No, more than that. In 1838 the Legislature of Pennsylvania made a grant for five years of a thousand dollars a year to the University, but it only paid \$500 of its last payment, so that as a matter of fact we received \$4,500 of the \$5,000 which was granted. I would like, Mr. Chairman, to put you in mind of this fact, that these gifts which I have stated here, which, added to the hospital gifts, make nearly \$8,000,000 in the last fifteen years, are really gifts to the Commonwealth of Pennsylvania, and just in so far are additions to the Treasury of Pennsylvania, because none in the audience or

community will say that if the University of Pennsylvania did not exist the State of Pennsylvania would not itself maintain the University, just as all the States to the west of us do. That would certainly cost the State during every legislative period \$2,500,000, so, looking at this question of the contributions to the University of Pennsylvania, which has this relation organic to the State, I think it ought to be upon the minds of every one in this audience and the Committee that they are gifts to the Treasury of the Commonwealth.

By Mr. Sproul:

Q. Have you any information with you which will show how the donations which are given by the State to the University of Pennsylvania compare with the appropriations made by other States to their principal educational institution?

A. Mr. Sproul, compared with the State to the west of us particularly—and that is one of the great dangers which the University of Pennsylvania is encountering at this time, that is, while the University is entirely out of debt, and we do not owe a dollar, we need millions of dollars to do things which we are not able to do because we have not the money and the State has not given us the money. More money has been raised by private gift to the University of Pennsylvania in the last fifteen years than has been raised for any single public purpose within the State of Pennsylvania since the landing of William Penn. That is the record which the University wishes to present to you to-day. But the States to the west of us, beginning with Ohio, are giving a million of dollars where the State of Pennsylvania gives this University \$100,000. The appropriations of the State of Illinois are two and one-half millions of dollars for educational purposes, where we get \$150,000.

Q. The University of Illinois?

A. Yes, sir.

Q. They have a number of colleges in Illinois?

A. Yes, sir.

By Mr. Brown:

Q. Assuming all these millions are needed, and the State of Pennsylvania cannot under her present taxing system collect them, have you folks given any thought to any method by which the State can raise these additional sums? Do you think there should be a more stringent application of the law of taxation of personal property?

A. I think that is a very fair question. I think it is a question which the economists ought to meet.

Q. The question is now, if these moneys are all needed, how are we to get them; are we to enforce more stringently our laws for the collection of personal property tax, tax manufacturing companies, are we to go out and tax as they are doing in England, everything that is in sight and more? We would like to get the thought of your department, of your University, on that subject.

A. If you would like our views, we will submit them to you.

Q. I speak upon the subject of the tax on personal property as one directly interested on the subject. Is there anything else you desire to say?

A. Not unless you have a question to ask me.

By Mr. Moyer:

Q. You made a statement a moment ago that the State of Pennsylvania contributed \$100,000 towards the University of Pennsylvania, and that as compared to other Commonwealths west of us, it is quite a small amount?

A. Yes.

Q. Do those same Commonwealths contribute anything towards private charity?

A. I am not able to answer that question. I do not believe that there are as many charitable gifts by the

Legislature as there are in the State of Pennsylvania, but I am pretty well occupied and I have not had very much time to go outside of my work.

Q. Does the State of Ohio have a University maintained entirely by the State?

A. I think, practically. I heard that question asked at a meeting in New York a few months ago, and the President of the University stated that it was supported by the State entirely.

Q. It is not as large as yours?

A. Not as large as ours, but growing very rapidly; but the total of private gifts to the University since its inception had not exceeded \$100,000.

Q. Practically a State institution, pure and simple?

A. Absolutely, yes, sir.

By Mr. McNichol:

Q. Would it be well, from a financial standpoint of view, to consolidate the educational features of the Commonwealth by centralizing our appropriations in one State institution, rather than handing it out to State colleges and places of that kind; in other words, you could handle all of the business that would be necessary if the Legislature deemed it wise to make an appropriation covering all that you need or anybody claimed you performed, which the State college is practically undertaking to divide from its infancy, practically a young institution?

A. Of course; the State College is the agricultural and grain college of the State, but I would rather speak for the University.

Q. We are now getting down to what would be the best method of carrying these things out at the least possible cost?

A. There are undoubtedly too many institutions in the State of Pennsylvania; very many too many.

By Mr. Brown:

Q. Coming down to our own home, what is your thought

about consolidating any institutions here in Philadelphia? Could they be consolidated and not use their usefulness?

A. I think there could be consolidation to a certain extent, which would be most economical and very fruitful in results in every way. I do not think you want to lose sight of the fact that there ought to be a certain amount of competition.

Q. Do you or do you not think that the medical men, for instance, and those who are especially interested in these institutions, should get together and see if they cannot devise some way or make some suggestions as to a more economical use of the State money appropriated to those institutions?

A. I believe there could be a saving of money, and an increase in efficiency, in standard, too, but at the same time I think there ought to be more than one institution, because, if there is only one institution, that institution may not keep up to the highest state of efficiency all the time.

By Mr. McNichol:

Q. It would be a harder problem to consolidate all the medical institutions under one head, don't you think?

A. I heard of that question, the suggestion that it would be beneficial to make a consolidation, in the minds of certain men, and steps might be taken towards that end. I think the question might arise as to how the Legislature would regard a question of that kind.

By Mr. Sproul:

Q. It would be hard to reconcile the doctors, too, would it not?

A. Of course, many institutions exist not for the sake of the community, but for the sake of the physicians. That is perfectly true, as we all know.

By Mr. Brown:

Q. Is there any way of obviating that question or ameli-

orating it; have you given any thought as to how it could be lessened?

Mr. McNichol: I do not think that is a fair question.

Dr. Harrison: I want to speak for the University, and I do not wish to speak concerning any institution.

Q. Is there anything more you wish to say, Doctor?

A. Not unless I am asked a question. We have nothing else to offer unless we are asked. If I have satisfactorily answered the questions which the Committee has asked me, the University will rest its case now.

DOCTOR SMITH, University of Pennsylvania, called.

By Mr. Brown:

Q. For what purposes are the moneys of the State used by the University of Pennsylvania?

A. The largest sums have been given to its hospital.

Q. And how is it used, for what purpose?

A. I think I shall have to refer that question to Mr. McFadden.

Q. Have you any special thought of your own which you wish to express here on this subject?

A. You asked Provost Harrison a question in regard to what the University was doing in the way of free scholarships, and as I happened to know something about that gift of the University to the State, I handed to him this morning, and he has asked me to present it to you. It is briefly this: That this year there are in the University of Pennsylvania 307 students whose tuition is remitted. There are to-day 91 students holding senatorial scholarships. There are 13 holding gubernatorial scholarships, making a total of 104 students under those lists. The University has given, in addition, 49 scholarships to the high schools of this State, to the High Schools at Harrisburg, Altoona, Johnstown, and three schools in Pittsburg, Scranton, Erie, Wilkes-Barre, and so on. Then there are a number of scholarships, or a number of students, who have free tuition because of a needy students' aid fund, which is provided for by the University. I think when you come to consider the appropriations of the State to the University, you should not lose sight of what the University is giving to the boys of this State in the way of free tuition. Multiply 307 by 150 and you know exactly what we are giving this year in the way of free tuition. Of course, \$150 is the lowest tuition fee, \$200 being the

fee in the schools of engineering, in the medical school and other departments; law is \$150, I think.

Q. Has the University kept any record of what becomes of all these boys after they leave; do they stay in Pennsylvania and does the State of Pennsylvania receive the benefit of their education, or do they go elsewhere and go to the whole country.

A. The whole country benefits by it.

Q. Can you give us an idea of what percentage of them will stay in Pennsylvania?

A. I cannot off-hand, but I could furnish you this information.

By Mr. Sproul:

Q. There are Pennsylvania boys who receive the education?

A. Yes.

By Mr. McNichol:

Q. Before you leave, the Legislature and this Committee wants to know your views as to the economical question in regard to the appropriation being distributed throughout the State to several institutions and the present subject—concentration of its appropriations to one main institution; have you any views on that subject as to the benefit that would be derived by the whole State?

A. I do not think I am prepared to speak on that. I would rather speak for the University.

Q. Is it simply because you do not want to interfere with the other institutions?

A. No; I am not sufficiently well acquainted with what they are doing.

Q. We will come back to this proposition. The University of Pennsylvania does not have different branches of her institution separated into different parts of the City of Philadelphia or throughout the State of Pennsylvania?

A. No.

Q. Will you tell us why?

A. Well, we think that the dental department, for example, prospers better when it is under the wing of an educational department such as the college; that independent institutions in veterinary medicine and in medicine have all found it to their advantage to come in contact with the collegiate department. They are all seeking that help, and the independent institution is slowly disappearing.

Q. And all those branches of the University feel it beneficial to come under the wing of the main body?

A. Yes, sir.

Q. And that applied to the State of Pennsylvania would be beneficial?

A. I would say so, yes, sir.

MR. McFADDEN, University of Pennsylvania, called.

By Mr. Brown:

Q. Can you tell us how the appropriation of the State to the University is expended?

A. If it is given for maintenance it is expended for maintenance, and if it is given for building it is expended for building.

Q. What does maintenance include?

A. It includes everything excepting buildings and repairs.

Q. The purchase of supplies?

A. The purchase of supplies.

Q. In your opinion, would it be more economical for the supplies to be furnished by the State and distributed among the several institutions on requisition?

A. I do not think so.

Q. You think you can buy as closely in the quantities in which you buy as a State officer could in larger quantities?

A. I do not know that we buy any cheaper, but we can use the goods more beneficially. Under our system we have a contract every three months, make a new contract every three months, except those things like green goods in the market, and we take each day the supply to the hospital. Our refrigerator only holds enough for one day's use and there is no extravagance, and the thing is empty at night.

Q. Do you hold the same opinion the Provost has expressed, that the University is needing not only what she has received, but should receive millions more?

A. Yes, sir, certainly.

Q. That is your thought?

A. Certainly.

Q. Assuming that this State cannot pay these millions or appropriate these millions on present revenues, is it your thought that other measures should be adopted for the collection of more revenue?

A. I have not given that sufficient thought. I think the State is entitled to take care of its hospitals and take care of the citizens of the State.

Q. You consider that a pressing claim and a moral obligation on the State to do it?

A. I think the State has taught the citizens of Pennsylvania to expect that assistance.

Q. You consider it a high moral obligation on the part of the Commonwealth to do that for the people?

A. Absolutely. As long as they taught the child, the child must be maintained.

Q. Have you given any thought as to a more stringent enforcement of the collection of personal taxes?

A. No, I have not.

Q. Or the taxing of other subjects for the purpose of raising revenue?

A. No, I have not.

MR. WILLIAM POTTER, Jefferson Hospital, called.

Mr. Potter: I would like to say, Mr. Chairman and Gentlemen of the Committee, Mr. Counsel and Ladies and Gentlemen, just a few words in a general way about all hospital work in the Commonwealth of Pennsylvania. I have had some experience in other States, notably in Missouri, where I have a married daughter living, and I know that the system of Pennsylvania of taking care of her sick and poor is being seriously thought of being followed in other States, and I think in a general way that there is an evolution going on all over the world, or what might be called a trend towards socialism. All we have got to do is to look at the old age pension law in England and the budget discussions there to-day to know that this is the time when those that have money are going to be compelled to look after those that have not, and I believe myself that the present conditions existing in Philadelphia, in Pennsylvania, of supporting the University of Pennsylvania, while there may be some reforms instituted, I believe in a general way it is the system that is more apt to be followed by other States, and I would extremely regret seeing this State go away from it. But what I am here for to-day is not to speak for the general hospital work; that I have no doubt will be amply and ably agitated by the different representatives here. What I would like to say is upon a subject which has not yet been discussed, and that is the question of medical education in the Commonwealth of Pennsylvania, and if it is your desire I will either answer questions on that line or proceed. I believe medical education in Pennsylvania to-day can only be supported in one of two ways. It is a well-known fact, gentlemen of the Committee, that Pennsylvania has been a medical center since Revolutionary days. Our prestige to-day is being seriously threatened, and threatened in the direction of New York, of Chicago, of Baltimore and of Boston, and it is due to this fact, that the cost of

medical education has become so tremendously expensive that it has appealed to the multi-millionaires of this country who have given millions of dollars to those cities for medical education, and Pennsylvania has got to be kept in the running or our young men are going to leave Pennsylvania where they have been getting their medical education, and going to those cities who offer special facilities it is utterly impossible for us to offer, and I want to say I am not speaking for my own institution. I am speaking for every medical teaching institution in the Commonwealth of Pennsylvania, and I particularly include the University, the Hahnemann, the Medico-Chirurgical, the Western Women's, and the institution over which I have the honor to preside. This has got to be solved in one or two ways. The fees from the students are not sufficient. Medical education has increased tremendously in cost, because it is absolutely vital in the education of students that they shall have hospital experience. The greatest living authority to-day is Dr. Osler. Dr. Osler says the student of medicine should be thrown into the hospital during his junior and senior years. Therefore they cannot get that hospital practice unless we have the facilities, and I am happy to say that as a result of the increased interest in taking care of the hospitals of the State—I say without contradiction that the sick and the poor can get better hospital treatment in the State of Pennsylvania than in any other Commonwealth in the United States. Now, it is absolutely necessary for this hospital practice for the medical students. We will either have to go to the multi-millionaires and ask them to give us their millions of dollars to keep us in proper competition with our rival cities, or the State will have to help us out. I have never gone before any Legislature in the position of a supplicant or asking for alms, I have always gone in the feeling of mutual agreement, that it was just as much to the interest of the State to help us, as it was for us to ask the State to help us in the matter of medical education. I do not know of any way of helping my fellow men better than in taking the young men of the

country and educating them to go out and administer to the sick and suffering, and at the same time in getting that education by administering to the sick and suffering in the hospitals of this great Commonwealth, in this great City.

By Mr. Brown:

Q. What is the average number of your students who stay in the several counties of this Commonwealth?

A. The great bulk of them are from Pennsylvania, but of course our students are from every State in the United States also, and we have them from different parts of the world. Pennsylvania is celebrated all over the world as a medical center.

Q. Your thought is that while the money is directly appropriated to Jefferson, for instance, several counties are benefited because of the location in their midst of men specially skilled by reason of their instruction here?

A. Not only that, Mr. Brown, but also you will find all over this State that in complicated cases where the family physician is doubtful, they will send them down to the City or they will ask the City doctor to go there in consultation, but those cases will be sent to the hospitals here.

Q. Has there been any special improvement in the medical profession throughout the State, say within the last fifteen or twenty years, which you could in any way attribute to the benefits received from State appropriations?

A. There is no question about it. There is no profession that has increased proportionately more than the medical and surgical profession has.

Q. You think part of that might be properly attributed to the appropriation from the State, the additional help given?

A. I know it. I know in this great new hospital there is to be a tablet placed in the very center of it to the Commonwealth of Pennsylvania, to the Legislature of Pennsylvania, who made possible this new hospital. I know it is almost directly to the State aid of these institutions that they are all in the splendid condition they are in to-day.

Q. What is your thought, assuming that the State of Pennsylvania is to-day not able to pay these large sums to these institutions, or larger sums, what is your thought as to the levying of additional taxes, or enforcing the present laws more stringently, the collection of personal property and other taxes; I am asking you as a business man?

A. I did not come here prepared to answer any questions of that character, but I should say one of the laws that ought absolutely to be insisted upon is the collection of the tax on personal property. I agree with Benjamin Harrison, who said that the meanest citizen and most unpatriotic was the man who did not pay his personal property tax, as he was the man that had means enough set aside to invest outside of his regular business, and I think those taxes ought to be collected, if they are not. I only infer from what you said that possibly they are not collected.

Q. Assuming that they are not, do you think the demands or requirements of your and similar institutions justifies the strict enforcement of those laws relating to them?

A. I do.

Q. That is your thought as a business man. How is the State money spent in your institution?

A. We have never received any moneys except for maintenance, and in the earlier part of these proceedings I remember the Chairman asked the question as to whether \$231,000 was all the money that had been received by Jefferson. Not at all. That is all the money that has been received for the support and maintenance of the hospital. That does not include any donations for construction or for buildings or anything like that.

Q. Have you given any thought as to whether or not the supplies common to these several institutions could not be more economically bought by one person and distributed among them, like the Pennsylvania Railroad, for instance, has a purchasing department which purchases supplies for

all its stations; would not such a scheme as that be practicable?

A. I do not know that I am prepared to answer that for this reason, that in the special institution that I am connected with, a teaching hospital, doctors have such a variety of desires in their purchases, and the different minutiae that enters into the purchases of a teaching hospital that it would not be practicable to have it bought by somebody who is not an expert, and while it might be a good thing for general hospitals, I do not know that it would be a good thing for teaching hospitals, unless some arrangement might be made for purchasing.

Q. Has the appropriation of State moneys tended to lessen the interest of the institutions towards obtaining private subscriptions?

A. I do not think I can answer that. I know there has been a great deal of money raised by personal donations, I do not think that could ever be thoroughly answered unless the State aid ceased and we were up against it and had to do it. It would take princely donations to do it.

Q. Do you think those interested in the institution make the same effort to obtain gifts that they would otherwise have made if they had not the State aid?

A. I can say this, so far as the people interested in the institution are concerned, they give just as liberally now, receiving the State aid, as they would if they did not—as if the State did not give a dollar.

Q. How about the free beds in your institution?

A. It is almost absurd. Almost every bed in this place is free. The percentage of free beds has increased tremendously, so that the only charge we ever make there for anybody that can afford to pay is forty cents, or a dollar a day, but if they cannot it is free anyhow. I know we have often gone to the extent of having committees getting up little entertainments, all the time trying to get money. Even with the liberal State aid we are getting, we cannot make both ends meet.

Q. Do you not think it is probable that the authorities

in the institutions are lax in making collections, due to the charity laws or State aid received?

A. It has not been our experience.

Q. Is it not probable that patients who might be able to pay but have not paid and have been discharged, that the hospital might have said, "We will just charge that up to charity cases?"

A. There might be something in that. I believe it is better to have a hospital abused in that respect, than not to be in a position to treat the poor when they come in, and I do not think there is anything like the abuse that is generally supposed, because there is pretty thorough supervision anyhow.

Q. Supposing the State has not sufficient revenue to construct her State institutions and at the same time give as she is giving to private institutions, which do you think should have the precedence?

A. The first thing you ought to look after your insane, but I think the very next pressing thing is to look after the sick poor.

By Mr. Moyer:

Q. Has your hospital a heavy endowment fund?

A. Not as heavy as we would like to have it, but we have got pretty close to \$400,000 in our endowment fund.

Q. You have had that for some years?

A. Yes, and adding to it constantly. I do not believe there is a single institution going before the Legislature for State aid that would not feel better if they did not have to do it, but we see it is a necessity.

By Mr. Brown:

Q. Do you think the State of Pennsylvania exercises a proper supervision over your institution to see that the money is properly expended?

A. I think our friend Wharton is very zealous.

Q. I asked this for the purpose of drawing you out, not that I have any opinion or belief on it.

A. We live in the glare of publicity all the time, so far as that is concerned.

CHARLES D. BARNEY, called.

By Mr. Brown :

Q. Do you desire to make any preliminary remarks before I ask you a few questions?

Mr. Barney: Nothing except that I would like to say Mr. Potter stole most of my ideas but I do wish to lay emphasis on one idea he expressed, so far as the State of Pennsylvania giving money to the indigent poor is concerned, I do not think they ought to take the back track on that, because the other States do not do it as we have done, and we will be a lesson to the rest of the United States and perhaps the world. Let up keep on in the good work and they will come into line finally, because there is no question about the wisdom and godliness of it.

Q. Assuming that we ought to keep on, of course that means additional expense, because the population is constantly increasing, what do you think about the advisability or the justice of the State levying additional revenues for this purpose?

A. I think they will have to do it. I think we have got very wise men at Harrisburg who can easily take care of that. I say so far as the taxes are concerned there will be no trouble about that, the wiseacres at Harrisburg can easily handle that. They are there for that purpose and can easily do it.

Q. Take the personal property tax, do you think this additional money should be raised by a more stringent enforcement of that law?

A. I do. I would raise the money in any way, and have an income tax if necessary.

Q. Then you think the end would almost justify any means?

A. I do by all means.

By Mr. Sproul:

Q. Do you think a tax on stock transactions would be—

A. I used to be in the stock business, I do not know much about it now. Yes, I would tax stocks.

Q. Is the New York tax a hardship?

A. It is considered so by them over there, but they hate to give up. I do not think it would be for us, we are more liberal.

Q. It would not be so hard?

A. No, I think you could levy a tax on that.

By Mr. Brown:

Q. You stand on a very broad platform on the subject of revenue?

A. I was brought up in this school, never mind what the taxes are; spend the money; the more money you spend, the more you will have to spend.

Q. Have you given any thought to the question of the consolidation of these institutions at all, whether or not they could be consolidated without lessening their usefulness?

A. I do not see why we ought to consolidate.

Q. You could consolidate but the others would not?

A. The others can very easily, I am told. I believe in consolidation. I think the doctors should consolidate.

Q. You believe that in union there is strength?

A. I do, indeed.

By Mr. Sproul:

Q. The doctors and preachers would oppose it?

A. Well, they are amenable to reason.

Q. The lawyers are not?

A. Well, lawyers can be handled when we get them on the operating bench or table.

By Mr. McNichol:

Q. That is about the only place you can handle them?

A. Well——

By Mr. Brown:

Q. What do you think about the purchase of supplies; do you think that it could be done more economically by a central bureau?

A. My present view is that it could not.

Q. It could not?

A. No. I think if you have a State purchasing agency you would have an awful howl, and the whole thing would mean graft.

Q. You speak of graft. Would there be any more danger of that from one man, than there would be with all these 147 institutions; do you not think there would be more opportunity for grafting among 147 than there would be with one?

A. I do not say that there would be graft. There would be more accusations of graft. The institutions who did not know anything about it would be up in the air. As to the other question about there being graft in our institutions, I cannot conceive of that going on to any great extent, because in all our institutions we have some of the best men in the community on the board and they are able to take care of affairs, and they certainly know a good thing when they see it, and if they have a steward or purchasing agent making a lot of money, it don't take a long time to find it out.

Q. My thought was perhaps the various supplies could be purchased more cheaply by one man than by having 156 different institutions doing it?

A. I do not think so. You have had one expression to this effect that estimates are given out or bids received for the supply of staple articles and all that sort of thing in such quantities as they can use. If you buy a larger quantity and it goes to waste or is destroyed, there is no economy in that. I think the thing is all right. There is a movement on foot in New York now for the hospitals to consolidate as a purchasing agency among themselves for the supply, for instance, of gauzes and things like that that

do not spoil. I just learned about it yesterday, and we have been discussing that a great deal and are going to take it up and find out what is in it. If they are going to make anything by the arrangement we are going to be in it over here, all the hospitals.

Q. Like the Pennsylvania Railroad?

A. You say the Pennsylvania purchasing agent. He does not buy for the Reading or for any other railroad. He buys for that railroad. We thought of joining together and exchanging views and buying a whole lot of flour to distribute around among ourselves, we know what this one pays for flour or another one pays for flour or sugar, but there is competition in the sales among the sellers that will fix all that. There would not be anything saved by buying a great deal, I do not think.

Q. Assuming there is not enough money for the State institutions and these private institutions, what is your idea as to who should receive the precedence?

A. The State institutions, by all means.

MR. HENRY F. WALTON, President Medico-Chi.
Hospital, called.

Mr. Walton: Mr. Chairman and Gentlemen: I cannot too strongly endorse what Col. Potter has said with regard to the charitable side of the teaching institutions of the City. I, as President of the Medico-Chirurgical Institution for the past two years, have had an opportunity to know the good side of the charity dispensed by the State of Pennsylvania. Everyone knows the interest that I take in the disposal of the State's money to the various charitable institutions of the State. I want to say that I consider the worthy sick poor are as much entitled to the charity of the State as I do the indigent or poor insane.

By Mr. McNichol:

Q. Do you consider that the worthy sick poor receive the consideration from the hospitals such as you are referring to, as well as they do from the municipal institutions?

A. County almshouses—outside of the large cities—I do not consider they do, no, sir. I do not consider that the county poorhouses in the State of Pennsylvania outside of the large cities extend the proper treatment, surgical treatment, and the proper medical care that is given and administered by such hospitals as we have in Philadelphia and as can be found in other counties.

By Mr. Brown:

Q. Why is that?

A. Simply because they do not have the facilities.

Q. Suppose the State of Pennsylvania were to establish a central or easily accessible hospital with local dispensaries in every county throughout the State?

A. Now you are talking. I have thought about that subject.

Q. What effect would that produce?

A. That is a very serious subject for thought and consideration.

By Mr. McNichol:

Q. Suppose the State of Pennsylvania came to the County of Philadelphia for financial support?

A. They do come, sir. I should like to think about that subject a little more. I want to say this, it has always been my thought that where the counties throughout the State have sent their patients to Philadelphia institutions, like our teaching institutions especially, for treatment, that the money appropriated to those counties for the maintenance of their patients should be handed over to these institutions here in Philadelphia. I mean by that that today perhaps not every county is represented in a bed in the Medico-Chi, and in the Jefferson and in the University Hospitals, but nearly all of them all the time are represented there. The peculiar and severe cases which are sent to us from the various counties throughout the State, and which we always accept, the majority of them are too poor to pay us anything, and where they are maintained in our institution out of the appropriation given to us by the Legislature, plus the private charity, and the county that sends the patient there is free from his expense, we should get the money that is appropriated to the county.

By Mr. Sproul:

Q. They are maintained under a State appropriation?

A. Yes, they are entitled to the ratio we are entitled to per capita, except that we, as a teaching institution here, have a greater burden to bear than the other institutions which do not have the educational opportunities attached to them.

By Mr. Brown:

Q. Why should not the counties be required to have a hospital and then receive aid from the State?

A. I will say it is a question whether it is not less expensive to have them sent here. For instance, I will illustrate: A man in the Pennsylvania Steel Works, at Steelton, is injured by an explosion and he is taken to one of the hospitals; say, for instance, at Harrisburg; the Harrisburg Hospital thinks the oculist at the Medico-Chirurgical can do that man some good. The man works for a dollar a day and he has a big family of children. He goes to the 'phone and telephones us and we tell him to send him down. He notifies our hospital that he will send him down on the next train. Our ambulance is at the station to meet him and we take him in and take care of him and give him treatment. Still the county that gets an appropriation from the State is not charged with that man's maintenance, it comes off of us. Now, I only do this to illustrate the terrible expense which is attached to the running of our institution as compared with the other smaller institutions. We are supposed to administer our charity in Philadelphia. Well, we do not do anything of the kind. We do not go out of the State, it is true. I was asked this morning to take a man in from New Jersey, a very serious case. I told them I did not see how we could afford to do it. These are questions which ought to be considered, and I am in favor of the most strict observations by the State or control of the State over its institutions, so far as the expenditure of the State money is concerned, whether by the State Board of Charity or by the establishment of a bureau at Harrisburg, or whatever it may be. I agree with what has been said here today, and my report on my investigation of the insane institutions of the State will show you that there are not two of them that are maintained and have the same cost per capita of maintenance; there are no two of them that keep the same set of books; there

are no two of them that pay the same money for clothing or supplies. They are all run upon a different basis, and I think that the State cannot be too strict in the control of the expenditure of this money. I would be very glad for the State to come into our institution and if there is any grafting going on over there I want to know it, and I think I would know it. We maintain today at the Medico-Chirurgical Hospital one of the lowest costs per capita for the maintenance of patients of any institution in the country, and I want to say to you, Mr. Brown, that if you will travel over the United States and visit the hospitals and insane asylums and public institutions as I have done, you will be very proud to find that there is not a single one of them that I have ever visited that I did not find the graduates in medicine coming from one of the four or five colleges in Philadelphia. In fact, in some of them all their doctors are from Philadelphia institutions. I say to you very frankly, that I, as President of the Medico-Chirurgical Board, intend at the next session of the Legislature to ask for an appropriation toward the educational side of our institution. As Col. Potter has told you, I know of no institution whose student body, the income from which maintains it, in the country today, and we cannot subject ourselves and the position we occupy as connected with that institution in worrying almost every day and trying to get somebody to contribute some money to help us keep it in a proper condition and pay our expenses.

By Mr. Brown:

Q. Have you made any investigation in other States as to how they do this?

A. Yes, and I want to say the system in Pennsylvania is admired by every State in the Union. I do not know of a single State that does not administer charity in this way, except where they give as a reason that they are too poor to do it. You make better citizens; you raise the

standard of our people by administering this charity through the State to your people. The State of Pennsylvania is a rich State, and you gentlemen, members of the Legislature, will have no trouble to raise increased revenues if you want to do it, in my judgment. I should think a good while before I would vote for a bill to tax the manufacturing companies in the State of Pennsylvania, the manufacturing concerns, and I might say if you will turn back to the files of the session of 1905 you will find a bill there that I helped to prepare putting four mills tax on coal, which will greatly increase the revenues of the State. Let some of our natural resources help to pay this increased revenue and give increased privileges to our people. I did not come here to express any certain opinion upon this subject, but by reason of my official association with gentlemen who are my colleagues, by reason of my public service at Harrisburg, I must confess I have formulated some opinions on some of these questions. I should be very glad to have you come over and visit our institution, and any suggestions you might make would be gladly received, but I should hate to see the time come when Pennsylvania should suddenly withdraw her support from the maintenance of these great charities.

Q. Should the State institutions in course of construction wait while these appropriations are made?

A. Not at all, sir, it is not necessary. State institutions are well cared for. I believe a greater improvement has been made in the building, in the course of treatment, maintenance, and in everything connected with her State institutions during the past three years, than has been made in any ten previous years. I know what I talk about.

Q. Do you think it is wise to have them—take, for instance, the Allentown Insane Asylum, started in 1901—wait while other institutions receive appropriations, the reason being given that there is not enough money to go

around, or should that institution have been completed long since, say within the first two years?

A. I do not think it is a good reason.

Q. You think that should have been finished first?

A. I think, in the first place, if that institution had been so constructed that when it was half finished it could have been used, and then when the other quarter is put on that could have been used, and so on until it was completed, it would have probably been the better way to have constructed it, but in view of its peculiar construction and these plans having been adopted years ago, I do not see that the State could have done anything else except what she has done in that regard. I am Chairman of the Commission and Senator Sproul is the Treasurer of the Commission for the construction and erection of the criminal insane institution at Fairview, 27 miles north of Scranton. I am also a member of the Board of Commission for the construction of the Home for Feeble Minded and Apoplectic at Spring City. After the work had proceeded on that institution for two and one-half years I prepared an act of the Legislature, a proposed act which was passed, which put the State in possession of that institution. The Commission is still in existence. The Board of Trustees was appointed by Governor Stuart soon after his inauguration, and that institution, which is over half completed has been occupied and is occupied today and contains 500 feeble minded and apoplectic children of the State. It will not be completed for perhaps two or two and a half years. That was at my suggestion. There was some little complication there, but it was easily overcome. Both Boards are now in control and are working in harmony, and I think the institution will reflect great credit and honor on the State.

By Mr. McNichol:

Q. Don't you think, Mr. Walton, that in these enlightened days it is almost criminal that an operation of that kind should take almost ten years to complete it?

A. Yes, undoubtedly it is, but appropriations have come in so slowly and the plans of the institution were such that no part of the building could be used until it was completed.

Q. Are there any operations which would take two years to complete, which involve the expenditure of a million dollars? I think it is a shame that there should be such a delay in completing a structure so badly needed by the State?

A. If you will pardon me, you know how things were done before you and I went to Harrisburg.

Q. No, I do not. That is what I am trying to find out, how they were done.

A. So far as this consolidation of these smaller hospitals is concerned, I think it would be wise——

Q. Before we get to consolidation, let us get to the main proposition. Do you think, as an experienced legislator, that a commission to point out the site and for the erection of these hospitals and things of that kind is the proper method to solve construction?

A. If you will read——

Q. You have got the law with you, but I am asking your experience of six or eight years?

A. No. I recommended on my report in the criminal insane matters the creation of a department at Harrisburg to supervise all bureaus and boards of charities.

Q. Appointed by the Governor?

A. If you will read my report you will find the Act I drafted in that report. There were five Acts drafted during the Session of 1907; four of them were passed and one was not. I do not think that Act came out of Committee.

Q. Do you not think that the department for construction of public buildings, appointed by the Governor, with the same facilities and powers as the Secretary of State

and things of that kind would be the proper and business-like method to do it?

A. I think a great deal of improvement can be made on the present method.

Q. If we had our institutions under course of construction all completed, that would practically take care of all the wants and necessities from the standpoint of the different counties concerning these different institutions, and they would be under the administration of the State?

A. Yes, sir. I want to say in regard to these smaller hospitals, I think if some arrangement could be made by which they would be willing to amalgamate with the larger institutions, and especially the teaching institutions, that they could be handled and the same number of beds maintained at a much cheaper cost per capita.

Q. We would be pleased if you would give us some suggestions as to what would be a proper restriction to be placed upon ambitious doctors who desire to have hospitals under their care?

A. I think you ought to have a law on the statute books; I think the Legislature should pass a law which shall provide that no hospital shall be organized in the future and receive State aid, except under certain conditions. Now, what those conditions should be I am not prepared to say, but I mean to say that you should put upon the books a law which will be a notice to the medical fraternity, or to any other element, which for financial reasons might want to start an institution, that certain things must be complied with before State aid can be given, and I think in that way you would prevent the formation and the organization of these institutions, a good many of which are simply brought together for the gratification of a few professional men.

By Mr. Sproul:

Q. Would you vest that authority in a board?

A. I would rather talk with you on the side about that.

I do not want to express my views publicly here today unless I got your advice upon the subject. You have had almost as much experience with these institutions as I have, and while you feel, I presume, that something should be done—I do—I would rather sit down and discuss it with you before I give you any definite idea of what I think you ought to do.

By Mr. McNichol:

Q. You are occupying a different position from what we do; you have been on the inside of the matter and we are only on the outside; we want to know your opinion?

A. Fortunately, or unfortunately, I have to be on both sides.

By Mr. Brown:

Q. Do you not think these institutions should get together wherever they can and try to formulate some scheme tending to benefit the public and in the line of economy?

A. Yes. I believe the State could save a lot of money if some system is adopted. In other words, I think if we can run a hospital bed for \$2.02 per capita cost of maintenance a year, I do not see why the rest of them should not do it. The smaller ones, of course, cannot do it because they cannot buy in quantities as we do; we buy in quantities. I cut out the market business in our institution and save 20 per cent. by it. Our superintendent does not go to market, he buys wholesale.

Q. You have done a little figuring on it. What have you figured out that the State of Pennsylvania could save by purchasing these supplies through a State officer?

A. I would not like to name the figure, but I think by buying in a quantity you can buy cheaper. For instance, we can take a half of beef over in our institution and hang it up; we pay eight cents a pound for it. We are careful

of it and use every particle of that beef. We have got it in cold storage and we can keep it there as well as any other person who has got the same facilities, and we have it carved up and served until it is all used. But here is a small hospital that has to go out and buy the fillets of beef and they must buy in small quantities; they have to go in the market and buy, not having the cold storage facilities.

Q. Have you learned in your investigation that some of these hospitals, because of the time of year they receive the State money, go into debt for these things?

A. Sure.

Q. And await the appropriation by the State?

A. Yes, sir, very often.

Q. Does that mean increased expense?

A. I do not know of any single instance in my experience where we ever voted a dollar to an institution that incurred a debt except one. I think we helped to pay one mortgaged debt of one poor institution. Outside of that the State institutions come in, and, of course, we had to pay their debts.

Q. I am referring now to the incurring of the obligations before the stated periods, before they received their money from the State?

A. They certainly do. For instance, we get our money every three months from the State. We must pay our bills and send the receipted vouchers to Harrisburg before we get that money, and the consequence is we have not got money enough. We put up security and pay it and pay 5 per cent. additional. We are paying all the time interest on money we borrowed to tide us over until we got our quarterly remittance from the State. I think the State of Pennsylvania is big enough to trust these institutions for three months. I do not believe there is very much graft in all these institutions. That is my opinion about it. I think there are a good many mistakes made

in the administration in the affairs of some of the institutions, but I really think they could handle their money better by having the money advanced for the payment of their bills, without necessitating the borrowing of money.

Q. There is no law with regard to that. Is not that just a rule of the Auditor-General for his convenience?

A. Yes, the Auditor-General thinks he ought to have the receipted vouchers before he pays the money.

Recess until 2 o'clock P. M.

AFTERNOON SESSION.

The Committee met at Room 496, City Hall, Philadelphia, at 2 o'clock P. M. Present as before.

DR. LAWRENCE FLICK, President, White Haven Sanatorium Association, called.

Dr. Flick: Mr. Chairman and Gentlemen:—I would like to say, briefly, that so far as the information which I have been able to gather enables me to judge, we have in Pennsylvania an almost perfect system of public charity, and adequate laws to administer that charity, but we have not, perhaps, got the machinery to administer it as perhaps we would like to have it administered. Our Constitution undoubtedly countenances the idea of providing charity for the indigent, and I believe under our Constitution the hospitals are entitled to State aid, and the Legislature has made laws in creating the State Board of Charities by which the administration of our charities should be made perfect, but unfortunately the laws which are on the statute books cannot be enforced because we have not the proper machinery for enforcing them. I would be exceedingly sorry if anything were done to change the system in Pennsylvania. I think it is one of the things of which Pennsylvanians have reason to be proud that they have such a system. I do think we should find, however, a way of getting the proper control and inspection over the administration of our charities, and if you gentlemen can devise a more perfect system of control, I do not believe there is anything else to be done to make our system as perfect as it can be made.

By Mr. Brown:

Q. You have been in charge of an institution for the care of the afflicted. From your experience in the conduct of that institution, what remedy have you to recommend?

A. Well, the remedy I have to suggest is that we have a State Board of Charities, or State Department of Charities, which will give the control and supervision which the law contemplates. There are some little details in the administration of State aid which, I think, are a little indefinite. One was referred to this morning, namely, that bills have to be paid in advance and receipts presented before the management of an institution can get the assistance given by the State. That becomes exceedingly embarrassing to an administration that wishes exactly to do the right thing. In the first place, it necessitates borrowing money to pay the bills, and in that way it puts the institution to an unnecessary expense. In consequence, it does not enable the management of an institution to use its resources to the best advantage.

Q. Have not the managers of these institutions had practically unlimited sway in their conduct; I mean they have not been substantially interfered with, either by the State Board of Charities or by any other institute, have they?

A. I do not think they have been interfered with enough by the State Board of Charities. I do not think the institutions get enough supervision. I think there should be machinery in the State Board of Charities which would enable that Board to know accurately what is done in every hospital in the State, and how it is done, and as the law says, whether that hospital is administered for the best interests of the entire State. I think if that were done, we have got that supervision. I think it would be much easier for the institutions who wish to conduct their institutions in an economical and honest way. It would give them the supervision that perhaps doctor their reports and do not always show on the surface what they are doing.

Q. What would be their object in doing that, to increase the contributions from the State?

A. I was looking over the Auditor-General's report this morning, or the report of the State Board of Charities, and I noticed in one place where the report gave the cost

of maintenance of a State institution at \$8.90 a week. I then turned over to another table to satisfy myself whether that really was inaccurate, that report in the other part of the book, and I found that that institution had 129 beds, with an average of 124 free days, and had resources of \$80,000. Now, it don't take much figuring to show that those two tables do not correspond. In other words, in one place it was reported that maintenance was \$8.90 a week, and in the other, if that report was correct, it would be about \$12 or \$15 a week. Now, as I say, we want accurate data and we want accurate supervision and business management of our institutions, and that is what the law contemplates in the State Board of Charities.

Q. Is the State Board of Charities in a position to give such supervision?

A. No, sir, it is not.

Q. From your acquaintance with it?

A. It is not.

Q. It has abundance of law, has it not?

A. It has abundance of law, but apparently no machinery and apparently no money to do it with. That is just a characteristic of the whole subject.

Q. Has not the Commonwealth of Pennsylvania a right to rely on these institutions, that they will deal in good faith in the use of these moneys? Should there be a still closer espionage, as has been suggested, to watch these different institutions in the use of this money that is appropriated in pure charity?

A. You and I know human nature well enough to know that it is business. People will sometimes do things with the very best intentions and have the very best purpose in view which do not come out as expected. I do not believe there is any dishonesty in the management of our hospitals. I do not believe there is any intentional misrepresentation. I take no stock in the statements made about graft, but I do believe that through ignorance and

through the desire of the management of institutions to do a great deal and make a good showing in their particular institution, that business methods are forgotten and money is sometimes expended in a way which it had better not have been, and there is where we need the State Board of Charities' absolute control, and to put business methods into the way of doing things. You have confidence in the management of your business and your employees, and yet you make rules in the conduct of your business which makes it an impossibility for them to do wrong, not because you do not trust them, but because you want methods which make wrong impossible.

Q. "Lead us not into temptation."

A. That is what we want. Let us have rules and business in the administration of our charity, which makes wrong impossible and economy absolutely necessary, and I believe we have plenty of money—we are spending plenty of money to take care of every sick person in Pennsylvania. Right here I want to direct attention to one thing, that in spite of the fact we are spending from five to six million dollars annually for public charity in the care of sick and the various things that come from sickness, we exclude from our hospitals, almost absolutely, certain diseases, which are the greatest menace to the welfare of the community of any disease we have to deal with. I do not think that hospitals, especially which get State aid, should make provision for every poor man or woman who needs assistance, irrespective of the disease from which he is suffering.

Q. Whether contagious or otherwise?

A. Whether contagious or otherwise. It is up to the hospital at this present day of scientific advancement of medicine to make such provisions in hospitals that there is no danger from contagion. The acutely contagious disease we cannot take care of in a hospital.

Q. What do you mean by acutely contagious diseases?

A. Such as smallpox and measles, but there are other

contagious diseases, such as syphilis, tuberculosis and gonorrhœa, that can be taken care of..

Q. Can those be treated in the hospitals?

A. In a hospital that has been made properly for those diseases, not in the wards. We have evidence of a practical character that this thing can be done. The Pasteur Institute, in Paris, has done this in the asylums of Paris for many years, and done it successfully. If they can do that in Paris, we can do it here in Philadelphia. As I say, when the State is spending the amount of money we are spending for the care of the sick poor, we should spend it for those who are suffering from diseases which are a menace to the public. That, to my mind, is the chief reason why the State can give aid to protect the well against the sick.

Q. You think it is not vitally necessary that the State should especially assist institutions for the treatment of tubercular trouble, for instance?

A. I think it would be better if the State was not to do that. In the present state of public opinion it is necessary, but it would undoubtedly be much more economical and much better for the traveling public at large if all tubercular diseases were taken care of at public hospitals. According to the State Board of Charities we have from three to five thousand vacant beds every day of the year. If we could use those vacant beds, in which we have an investment of from three to ten million dollars, and they could be used without danger to anyone, for the care of the poor consumptive, we could stamp out tuberculosis in Pennsylvania in ten years, at an outlay of from five to ten million dollars; whereas at the rate we are going now it will cost us from fifty to a hundred million dollars, and take many years.

Q. Could that be done and not in any way impair the use of the hospital for the treatment of other diseases?

A. Not at all.

Q. How do the medical fraternity feel on the subject, is there any concensus of opinion, or is this simply your personal view?

A. I am afraid I stand in a very small minority, but I believe I can satisfy any reasoning person who is willing to be satisfied.

Q. How long have you been engaged in the treatment of tuberculosis?

A. Twenty years.

Q. Of course, you consider yourself an expert on the subject?

A. I am willing to consider myself an expert so far as I follow my own reasoning, and so long as I can see that two and two makes four I am willing to say it is four.

Q. Is there any other place outside of Paris, and in Paris—to what extent is this confusion or commingling of patients suffering from different kinds of contagious diseases?

A. The Pasteur Institute is for the study of diseases, and for the reason that they have all kinds of diseases, and they take all forms of contagious diseases, they have demonstrated the fact that it can be done successfully without endangering anyone.

Q. That is, all under the same roof?

A. All under the same roof.

Q. Has it ever been attempted in this country?

A. It has not; but formerly, before we were so much afraid of tuberculosis, every hospital, to some extent, did take consumptives, and I think very likely without any danger to anyone else. They did not take them under the most scientific methods, but we can nowadays take tuberculosis in every hospital by simply going to the trouble of having a separate department, without any danger to anyone else. That is as cleverly demonstrated scientifically as can be.

Q. Would that require separation?

A. It would require separation.

Q. Nurses and all?

A. A separate department of nurses.

Q. Would it not necessitate a change in the hospitals?

A. Any of our large hospitals in Philadelphia have the resources. Any hospital that has a hundred beds or attendants would not be put to any extra expense. Small hospitals would be put to a relatively small expense, which, however, compared with the cost itself to the Commonwealth, would be nothing.

Q. You are reported as having stated before the general meeting of the medical society, in September, 1909, "State appropriations should be made to all hospitals on the basis of private resources, etc." What was your thought you had in mind on that?

A. My thought is this, the best way you can judge the good work which a hospital does is in the support which it gets from its neighbors. If you have a hospital doing certain work in a certain community, and it is getting liberal support, that is evidence that it is doing good work, and it is the best criterion you have as to the merits of that hospital. For every dollar which the Commonwealth spends in a certain defined community, for the care of the sick, enough people in that locality will be interested in the success of that institution to contribute liberally to the support of that institution also. That, I think, is the history of at least every institution of which I have any knowledge. Now, in the different parts of the Commonwealth, say two counties or three counties, if the population of the counties is not large enough, if the counties would combine to have a hospital and give their support to that hospital, and the State gives encouragement, just as we do with the tariff, put a bonus upon their good work, and do that all through the Commonwealth, and give support to those institutions in comparison to what they do themselves and the expense to which they can demonstrate the usefulness of their institution, the State would save a great deal, because the people themselves

would be encouraging the charity, and the State would simply give enough to help out the requirements of that locality.

Q. You are also quoted as saying, "Strange to say, if all the money expended," etc. Is that based upon statistics, your statement there?

A. I think I could furnish statistics to support that.

Q. For Pennsylvania?

A. For Pennsylvania. I think they are supplied. You take the mortality from tuberculosis and fever alone, and the sickness caused by it would constitute at least one-third of all the suffering of humanity in Pennsylvania, and if you add the other two you will probably make it a good deal more than 15 per cent.

By a Member of the Committee:

Q. What would be your idea of State aid, based upon per capita?

A. I think it would be a much fairer system than we have now. I do not know that it would be the best system, but it is the system adopted in a good many States.

Q. You think it would be an improvement over the present system?

A. Very little improvement.

Q. What is your ground for that statement?

A. It would compel all hospitals to go on a common basis in their expenses. In other words, if a hospital found it could get, say, \$7, \$9 or \$10 a week for each patient per capita, if they went above that they would have to find the means to raise the money, it would be the way of telling the very thing that was discussed here this morning, a common standard of expense. We have hospitals that run along very successfully on \$7 and \$9 a week. The Phipps Institute for five years—for seven years—has averaged a little less than \$9 a week, and includes in that scientific work; not teaching work, because I do think the teaching institution requires a higher standard,

but on a business basis the Phipps Institution has been able to do good work on less than \$9 a week. If the State would make the per capita \$2, it would enable the State institutions to get down as near as possible to a common basis. I think that would be a great advantage. I think if a per capita arrangement was made, there should be a class for educational institutions by themselves; they have to have a higher basis.

By Mr. Brown:

Q. You think they should be preferred?

A. I think they should be preferred, and I do say, as was said this morning, that the State of Pennsylvania has so far maintained a very enviable reputation, and I think every Pennsylvanian must be most ambitious to maintain that position, and unless we do give our institutions State support, I do not believe it can be possible to maintain the position which Pennsylvania has maintained in that regard.

Q. Your thought, as I understand, was that the State Board of Charities should be the supreme arbiter of what should be allowed?

A. It has the authority, but give it machinery.

Q. What do you mean by machinery?

A. Create a State Board of Charities which will have enough clerks or enough arms to reach out over this entire Commonwealth and gather the information which is necessary to base a judgment on.

By a Member of the Committee:

Q. Would you advocate a salaried board?

A. Yes, sir; I would, indeed. I think the most economical thing this Commonwealth can do would be to create a Department or Board of Charities which will absolutely carry out the law and spend the money necessary to do that. I think you can concede the whole question to them. Make it a business proposition. Somebody re-

ferred to the State Board of Charities this morning. The State Board of Charities do a good work, but they have not the employees and money to do things. You give us in Pennsylvania a State Board of Charities or Department of Charities, and equip it in such a way that it can get the necessary information, and it will get it and you have got the whole control. You have got plenty of laws, and I am satisfied, as was said this morning, that if the State Board of Charities were so equipped that it could seek information authoritatively and give the facts behind it to the Legislature, that the Legislature would do what the State Board of Charities would suggest.

By Mr. McNichol:

Q. Why would you transfer it to the State Board of Charities, why not put it in the Health Department of the State?

A. That would be a most unfortunate mix-up.

Q. Why?

A. The Department of Health has enough to do as it is. I think the Legislature has already made a very serious mix-up.

Q. That is from your standpoint?

A. I believe they have from the standpoint of political economy. In other words, matters of health and health departments and health boards are of such recent origin that none of us probably have yet got the right standard or idea of what such a thing ought to be, and if we take the knowledge we can glean from the world, so far as that experiment has been made, we have to reach the conclusion that the Department of Health should be a judicial department, and should be as free as possible from all sources of serious complications with the people with whom it has to deal. I would like to tell you a little story which I told at a meeting not long ago, which illustrates my point. This may be all falsehood, and I am not willing to stand for the truth of the story, but it illustrates

the very point I make. Up in the interior of our State, last summer, I happened to visit and was spoken to by a couple of medical men who were very much distressed about the State Dispensary in their district, and felt that they were very seriously and unjustly dealt with. They were so much agitated over it that one of the young men, who felt himself most particularly unfairly dealt with, said he would come down to the State Medical Society and put in his complaint and see whether the State Medical Society could not do something to give him relief, and I really think he had a pretty good story, and I think he had pretty good ground for feeling aggrieved, but before he left home he was called in by the man on whom he depended for bread and butter, from whom he draws a salary, who said to him, "Now, you go down to Philadelphia and keep your mouth shut. I have been pushed very hard here for a bacteriological sewage plant here lately, and I am the only one who has been pushed for that in this community, and I have been talking about it, and no one else wants it, and I don't want to have a sewage plant if nobody else does." That illustrates my point. The Department of Health dispenses charity, and gives free milk and ice, and runs hospitals and dispensaries, and therefore apportions out certain good things to the people, and at the same time it is supposed to be a judge and pass judgment at certain times upon what shall be done. The two things do not fit together at all.

By Mr. McNichol:

Q. It has all the clerks and stenographers necessary?

A. Those might as well be put in the Department of Charities and the two things kept distinct and separate, as they are all the world over. Pennsylvania is the only State where these are mixed up.

Q. I think with the capability of Dr. Dixon all would be in safe hands?

A. I do not think the capabilities or honesty or good

intentions of any man will suffice, when you put into his jurisdiction two conflicting duties.

Q. One is really a supervision over expenditures, a sort of clerical position?

A. It does not work out in practice and I do not believe it ever will. Moreover, the Legislature has controvened the laws of this Commonwealth, without any doubt, so far as I am able to judge right along.

By Mr. Brown:

Q. You think there ought not to be any general appropriation laws?

A. The Constitution says there should not, but leaving out the question of the Constitution, the law on our statute books certainly contemplated that public charity shall be expended under the supervision and direction of the State Board of Charities with the Legislature. The State Board of Charities was not consulted about the appropriation for the Department of Health for work which is supposed to come under the work of the Department of Charities, and I do not believe would have answered if they had been consulted. Therefore, in the spirit of the law it is against the laws of this Commonwealth that that work should be put in the Department of Health.

By a Member of the Committee:

Q. As Chairman of the Appropriation Committee, I consulted and was in consultation every day with the State Board of Charities and their agent, and we consulted with the Attorney-General and he said it was all right.

A. I consulted with the Attorney-General and he told me that has been going for forty years and it was not up to him to stop it. He did not say to me it was constitutional.

By Mr. McNichol:

Q. It was not up to him to pass upon the constitutionality of it, was it?

A. He did not think so.

Q. What is the objection to the State Board of Health doing this work; are they not doing good work?

A. I think they are doing good work, but the goodness of a work is not always sufficient excuse for the method of doing it. I think the method of doing the work in the tuberculosis field is a very much more expensive method than the method recommended by the State Board of Charities years ago. Some people have said this is a personal matter with me. It is not, absolutely not. I withdrew White Haven from State appropriation because I wanted to remove my own personality from the subject. When I first started out in the work of fighting tuberculosis I was in favor of a State hospital for tuberculosis, and I worked very hard for that for some years. We then found the State Board of Charities in its judgment, and based upon its experience, was opposed to a State hospital for the treatment of tuberculosis, and they said to us we would get up private corporations throughout the State, that the State would be glad to make appropriations to those private corporations for the work, and that is why the plan which was originally advocated by the Pennsylvania Society for the Prevention of Tuberculosis was changed and the State's private corporations in different parts of the State were established. Those private corporations in different parts of the State were doing excellent work and doing it in the most economical manner possible. They were, moreover, educating the entire State of Pennsylvania, and Pennsylvania is the best educated State in the whole Union, on the subject of tuberculosis. The change which was made in 1905 of practically taking away from the private societies that has been established throughout the State, the State support, and concentrating all that work in the Department of Health, was, in my judgment, a serious blunder and which will cost this Commonwealth many millions of dollars. I may be mistaken, but I have studied the subject of tuberculosis and its administration and that is my judgment.

Q. How is it done in other States?

A. In other States, some of the States have appointed commissions to study the subject, and they have got up such institutions as they recommend.

Q. What has been the result of the work of the commissions, have they distributed themselves throughout the State as contemplated by you?

A. Yes, the best work done by any State is Massachusetts. She has proceeded along that plan and has created State hospitals, and it is the only State in the Union so far which has recommended at the present time a means of not only caring for the early cases, but caring for the advanced cases, and with the general recommendation that the proper thing for the Commonwealth to do in the grapple against tuberculosis is to provide beds for the advanced cases in order to stamp out the disease. It has appropriated money for two hospitals for advanced cases, and it is the only State in the Union which is approaching that subject in the proper way. In Pennsylvania we have no provision for the advanced cases, except that made by the Phipps Institute and White Haven; the much maligned City of Philadelphia is doing the best work for the prevention of tuberculosis of any city in the country, because it has concentrated its efforts on the advanced cases among the poor, and Philadelphia in consequence of that one thing, I believe, will be the first city in the Union to win out in stamping out the disease of tuberculosis.

DR. O. J. SNYDER, called.

The proposition under discussion is first whether the State should make appropriations for the support of institutions and hospitals not under its control, and secondly, if so, whether such hospitals should be connected or identified with schools or colleges of therapeutics or be independent of them. This carries with it the acknowledgment or recognition of the obligation that the State should give support to institutions of that character, but with the implication that when the State does render such assistance that it should have control of them. It would be a change from the present policy of rendering support under which the State has now no directing power over the expenditure of moneys thus appropriated. In substance—it reduces itself to a change not so much in principle as in method of execution. While there may be occasion for change of method in the directing of the expenditure of moneys appropriated for such purposes, yet we are of the conviction that such institutions should not go wholly into the hands of municipal and State regulation and management.

The one great incentive that fosters progress and stimulates growth is rivalry or competition. There are several schools or sects contending for supremacy in the therapeutic field, and this very condition of rivalry for public endorsement and patronage is what has more than anything else developed or has resulted in their present high standing. To remove this element of rivalry would be depressing the spirit that induces advancement. We, therefore, urge that the State continue its appropriations for institutions and hospitals that are not directly under its complete domination. It may be advisable to devise a new method of determining what amount should be appropriated to the various institutions, based upon a basis of merit. For instance, we might suggest in this con-

nection that the amount of appropriation be determined by the number of inmates in the hospital or students at the college, and also that the financial officer of such institutions be appointed by the State, and be amenable to the State, and render to it correct and comprehensive reports of the work that is being done, and that such reports serve as the basis for further appropriations.

The further question as to whether hospitals should be connected with or divorced from schools of therapeutics is another serious and important proposition. It is very difficult and expensive to equip schools of therapeutics sufficiently and to an extent that will make it possible to furnish the most advanced and best possible instruction to the students. The character of the instruction of a medical student is quite different from that presented to a student qualifying for the practice of law, or for the ministry. Instruction for those vocations does not require the laboratory equipment, nor the clinical experience that is essential for the thorough instruction of the medical student. For the technical instruction of the medical student an extensive and expensive laboratory, in practically every department of his course of study, is a requisite, and as for clinical instruction, there must be opportunity for him to do practical work in a hospital under the supervision of clinical instructors. It would be quite impossible for any medical school to provide all of these extensive necessities without aid from other sources than the mere tuition money obtained from the students. If medical schools had to depend wholly upon the tuition money of the students, the tuition charges would have to be so high as to practically bar all but the very wealthy from its doors, neither would it be wise or safe to depend upon endowments or contributions from private sources.

The matter of affording opportunity with the best possible and most competent instruction in the healing art is a serious and important matter for the State. The

health and life of its citizens depend in a large measure upon the intelligence of the physicians of the State, who direct the sanitary regulations and all matters relating to the health and the very life of the citizens. The State should, therefore, lend every possible aid towards the establishment of the best possible schools of therapeutics. As clinical experience and hospital instruction is so imperative to the best training it is but natural that ample provision should be made for the support of a good hospital in connection with every reputable and approved college that provides training in the healing art. It is not necessary to furnish statistics to show that those States that do give support along these lines have the best medical schools, and the best sanitary conditions, and it is logical and consistent to contend that a hospital is quite an indispensable part of a medical college equipment for instruction. We, therefore, contend that it is to the direct interests of the State to encourage education in therapeutics, and, therefore, it should render all possible support towards the establishment and maintenance of the necessary requirements for such purposes.

JOHN CADWALADER, President Pennsylvania Institution for the Instruction of the Blind, called.

Mr. Cadawalader: I do not know that I can volunteer very much information. I am now speaking primarily in the interest of an institution with which I have been associated for four years, the Institution for the Instruction of the Blind in Pennsylvania. It is an institution which has some notoriety. Its working and its position, I think, is not much understood. In addition to the questions you gentlemen are now considering, I think it holds a distinct position from institutions which are considered under the light of charities. The work of the instruction for the blind ought not to be classified among the charities refusing State aid. In my judgment it comes distinctly under that educational class. We offer practically the only fully equipped school for educating blind persons, and upon the principle of the right of education of every citizen, we alone can furnish to that citizen what is the essential to make himself sustaining in life. The work was originated with a man of great philanthropic character, rather well-known in Philadelphia, Mr. Robert Vaux, who was the father of the late Richard Vaux, who took great interest in this subject, which was then being started in Europe, who asked a gentleman who was going abroad to make a study of the question so far as it had been pursued there, and he brought back with him the information and a gentleman, a German, from Berlin, came out who had some education in the training of the blind. The outgrowth of that was that the institution here was the first that was conceived. The institution in Boston and one in New York were all started within a very few months. That work progressed practically without any State assistance and there is no assistance in the sense of State aid furnished to-day to the institutions. If any of

you gentlemen have visited the present institution at Overbrook, it is an institution I should like you very much to see, because it is recognized as the most complete institution for the instruction of the blind in the world. We have had endorsements from the best authorities in Europe and also in this country. In the early stages of my connection with the institution I followed the course of saving the legacies, and the only State aid given to them is a fund per capita for instructing the poor blind of the State. The present appropriation—for a great many years it was \$300—it was cut down and now it has reached \$275 again. There never has been a year in which the cost per capita of the pupils was under \$400. The State has never furnished the actual cost.

By a Member of The Committee :

Q. The State gets the advantage of the endowments, just as to the other pupils?

A. The money has been carefully husbanded. Of course, it stands as somewhat in the way. There is a large amount of people who would perhaps seek private education there. We have private pupils, but they are not inclined to send their children, especially the younger ages, to an institution where they are so much mixed up, both races and classes. I think that is where we gain enormous benefit by the pupils being known. I think I ought to state for the information of your committee, without taking too much time, an instance which I think may appeal to you as an extraordinary case. About ten years ago there was a young Italian working in a quarry near Philadelphia. A premature blast almost blew him to pieces, blew an arm out, his eyes out, and he was wounded in a great many other places, and he lingered for quite a while, nine or ten months, in the hospital without an expectation of recovery. He did, however, recover, and the hospital sent to our institution to know whether we could possibly do anything for him. He could not speak English. We tried,

at all events. In less than five years that young man completed his education there. He is one of the most thoroughly educated men, he is a good Latin scholar, and he acquired a good knowledge of English. His efficiency has made him extraordinarily useful. Under those conditions he was of great use to blind persons. Under the census of the United States the name and residence of every blind person is given, and that man has visited, without any escort, alone, every blind person in sixty counties of Pennsylvania. He gets out at a station and walks up a country road and inquires whether "So and so" lives there. He then instructs that man in what is possible. If he is not hopeless of the future, or good results would follow from education, he urges him to take it, and of course the influence of a man in his condition is simply remarkable. He has brought into the institution a great many. He knows the advantages they will gain. This was so remarkable that the Governor of New Jersey requested that we send him into that State. He has done the same work there and been publicly thanked, and also in Philadelphia he has done the same thing. That man was a most hopeless case. He was a goat herder in the mountain districts behind Naples, absolutely without any education or advantages of any sort. He is now a man of great ability. That is one instance among others.

I think in these appropriations a distinction should be drawn absolutely between the moneys appropriated for educational purposes exclusively and those which are in the most strict sense charitable. Those pupils—there would be an attempt to send them into the public schools, some of them do get a sort of preliminary training, but with great difficulty. They interfere with the schools, they are not able to advance to any great extent, but the great number of our graduates—it is not a home, it is not an asylum, but unfortunately people call it an asylum—there is no essential of an asylum about that—they come there and get their regular diplomas at the end of the school term,

but that educational work should not be classified with the charitable fund, it seems to me that it would be very proper to charge it to the school receiving State appropriation. The appropriation has never taken the form of assistance to this institution in forty years that I have been connected with it.

By a Member of The Committee:

Q. Is not an appropriation made, a per capita appropriation for the care and teaching of the blind?

Mr. Brown: Yes.

By a Member of The Committee:

Q. The various institutions doing that work?

A. There may be of some separate. I know of none except the Pittsburgh Institution. There has been of comparatively late years the Institution in Pittsburgh, and that is the Western. It is only a specified appropriation of so much per capita. Of course, if the students are not there we do not get it, and we have to certify each term the amount.

By Mr. Brown:

Q. Have you given any thought to the question of the applicability of that system to the other hospitals, the per capita system; how would it work? I think it is the only proper way for the purpose of estimating the proper amount, and I should suppose that hospitals would be very glad to have it?

Q. On the same basis?

A. On the same basis?

Q. Is your institution purely charitable?

A. No, we take pay patients.

Q. Yes, but all your money goes without any profit to stockholders or anybody?

A. Absolutely.

Q. Your officers are all salaried?

A. Yes, paid teachers. The directors have no interest except as a public charity. It has been one of the most successful, and the Board, I might state, have had a great many things to contend with in the years of its existence. For instance, it requires a great deal of medical treatment. We have specialists on the throat and eye. Of course, the great majority of blind persons are blind from congenital causes and they have that difficulty to contend with, and we have paid physicians in the institution. We have a very excellent infirmary, and we have also a separate building for contagious diseases exclusively, and I was interested in what Dr. Flick said in regard to that. Notwithstanding we have entire isolation, both in construction and treatment and everything, the State Health Department last year, when there was an epidemic of scarlet fever and diphtheria, they enforced us to have them quarantined, and they carted them out to the Municipal Hospital, and some of the attendants even got it in going there. I think that was an error of judgment there, but we take every precaution in that way and we have that as an incident to our institution.

Q. As I recall, yours and the ward at the Philadelphia Hospital and the ward at the Wills Eye Hospital are the only ones for contagious diseases in Philadelphia, is that correct?

A. Having separate buildings?

Q. Yes, buildings for contagious diseases?

A. We constructed that in our new buildings. We felt it was important to keep pupils there if we could, and so we constructed it with the greatest provision. I do not think many institutions have it.

Q. Let me ask you as a man of affairs, assuming that all these things requiring these vast millions are meritorious, and the present revenues are not sufficient, what is your thought about the right or the justice of the State in levying dues for this purpose?

A. My view on the subject is that the public moneys

ought as far as possible to be applied strictly to public uses. I rather regret any tendency to put at the disposal of any body of men, legislative or any other, general funds in which more or less the distribution is dependent upon more or less interest or pressure. I think the distribution should be, as clearly as possible, defined by law. I think it would lead to economy and justice.

Q. Assuming that the custom or concensus of opinion is that these moneys as distributed now are properly distributed, and they are not sufficient for the increased need, do you think in your judgment that the State would be justified in levying an additional tax, for instance, a strict enforcement of the law relating to personal property tax?

A. Assuming that the expenditure is right and meets with the approval of the people, why, of course, I am like any other good citizen, I approve of getting the money to apply to it.

Q. Do you think the uses expressed here today are such?

A. I think there is bound to be a great many of them. We have the Pennsylvania Hospital for the Blind, which has never sought aid of the State. It stands pre-eminent at the head, and there are absolutely none superior to it in the world, and it has never had a dollar of State appropriation in a hundred years.

Q. The Episcopal Hospital has not either?

A. The Episcopal Hospital I do not think has ever either. It is supported with relation to the church.

Q. The Presbyterian Hospital has not either, has it?

A. I thought it was—showing that it was not absolutely a necessity. I think I have known what has been done by the State Board of Charities, and I am surprised to hear such criticisms. I think the State Board has done what has been wise to do. I never noticed them to fail. I think they have succeeded. They send notices to you to come

before them, and they have been a very intelligent body of men, and they can receive the information upon which to act much better than a great corps of specialists going into the work. It does not appeal to me. I think you will have to have in the State Board of Charities a man who can see the things and the special way of dealing with each institution. These boards are full of men who are there by a variety of causes, and I do not believe if the Legislature would go into the institutions in this City and this State that they will find a more careful supervisor, economical and everything else, anywhere.

Q. Or philanthropic?

A. Almost exclusively philanthropic. There are possibly infirmities, but they are so general they do not enter into the general subject. That is not the principle on which our institutions have been running, and I think it is a very unfair way to look on our institutions, which stand as high as any in the world. Anything that we can do for the development of the blind we do. The son of Mr. Campbell, late of the Royal Institution at London, came out and made an address and spoke of the enormous advances in which everything was administered.

By a Member of the Committee:

Q. As a business proposition what would you say as to a central purchasing station for the supplies?

A. I think that comes under the main difficulty. The supplies are radically different under different conditions, with different bodies. I do not think you will gain much in that. I have had the experience of supplying an institution where we had to make purchases under the Government of the United States, where everything was to be bid for and contracted for. I think in four years I do not recall a single instance in which the bids did not vary 100 per cent. You gentlemen, of course, are familiar with that. The Senator knows how impracticable it is for men to look at the same thing in the same way. Take an institu-

tion like ours; the diet system is of very great importance. We have got more or less invalids, our physicians suggest many changes of diet, systems of diet, one of the greatest things in maintaining the health, and that is not consistent with the general purchasing of supplies. They tried it for a month or two and changed it.

By Mr. McNichol:

Q. Did I understand you to say that the cost of educating a pupil is \$400?

A. Yes, sir, that is the actual cost. I mean to say that is food, a proportionate amount of clothing, and (the attendants.

Q. That is the full cost of educating and operating?

A. Yes.

Q. And the Stae is only paying at the rate of—

A. Two hundred and seventy-five dollars, and that only within the last two years.

Q. Was there any protest made to the Committee for a higher amount?

A. Yes, the Board of Charities recommended \$300 of their own motion.

Q. Did the faculty of the institution make any protest?

A. No, we have never made any special claim, because it is entirely a function for the State. If the State does not feel that they are getting anything, it is not so very important to the institution.

Q. Are the pupils of the State getting the same attention as the private pupils?

A. Every bit: There is no necessity of anyone sending money.

By a Member of the Committee:

Q. How many pupils are there?

A. It is limited by the appropriation, 175.

Q. How many have you altogether?

A. Two hundred and ten, I think. It is not desirable to

enlarge on that, and that is one of the reasons we aided in the establishment of the western institution. It is not desirable to have very large institutions.

Q. Then if it were not for the endowment fund of the institution and careful husbanding of the bequests and donations made the institution would not be able to take care of these students at the price the State pays?

A. It never has been. Of course, there is a great deal we could do if we had more money, because the field of broadening blind pupils' activities is wonderful.

By Mr. Brown:

Q. I notice your per capita is \$275 a year as against \$350 for the western institution at Pittsburgh. Have you folks ever made a comparison?

A. No, the whole institution is out of the State. They built their buildings, and I suppose they have not got other private resources. I think it is run entirely on the State funds. It has always been very much larger than ours.

HON. E. L. TUSTIN, representing Hahnemann Hospital,
called.

Mr. Tustin: Mr. Chairman and Members of the Committee, Ladies and Gentlemen: In a large industrial State like Pennsylvania, I do not think the right of the State to the appropriation of moneys for charitable institutions will ever be questioned. It seems to me the question is not so much what we appropriate, but the care we take of it after it is appropriated, and as a trustee and active manager of one of the hospitals of Philadelphia, I have found out that while the State Board of Charities may do a good work, they have their limited powers, their powers are decidedly limited, and outside of hearing you before a meeting of the Legislature once in a while as to your wants, we see very little of them during the intervening time. It seems to me the Legislature of Pennsylvania that appropriates so much money for charitable institutions ought to add to their Appropriation Committee a provision for a standing committee to meet between the sessions of the Legislature, to which all questions of complaint could be referred, and who will have a supervisory oversight of the expenditure of the vast amount of money which they appropriate year after year. I do not mean to say that they ought to take the same position of the State Board of Charities. They represent the people of Pennsylvania in the appropriation of a large amount of money and they ought not to appropriate the money, in my opinion, and then simply forget all about it.

By Mr. McNichol:

Q. Might that not be done by the Department of Health, or under its supervision?

A. I think it would be better to do it under the supervision of the Legislature, for the reason that we are all human, and every institution would know that the Appro-

priation Committee of the Legislature was keeping a supervision over that institution and would be more careful to bring that institution up to the very highest standard, because they would know that the men over them who were looking after the appropriation and the expenditure of the money would probably be among the number who would vote for the future maintenance of the hospital. The consequence would be that the institutions who receive State aid would be more apt to bring up the efficiency of their institutions. I think there should be appointed a Committee who would meet once or twice between the sessions and have a detailed report from the agents or the State Board of Charities should be re-organized, they should have more power and a greater appropriation and have more agents, or else the Committee from the Legislature should take this out of their hands. I think the Committee from the Legislature, even if the State Board of Charities were continued, would have a splendid effect upon the eleemosynary and charitable institutions of the State. I think the mere fact that after this money is given they think there is no other Legislature to meet for two years now to look after them, but the State Board of Charities, and the State Board of Charities, as I said before, is limited in its machinery and there should be an investigation and this report given up to your Committee, and then future Legislatures will know how much to appropriate. The Appropriation Committee at the present time meet and I do not think the people of Pennsylvania have any idea of the work the Appropriation Committee does at Harrisburg. They meet by day and sometimes by night and hear this testimony, but they can not get the same amount of testimony they could if they had a permanent committee. I hope your Committee will take up that subject, as to whether it will be wise to have such a committee appointed between the meetings of the Legislature and have that supervision.

Q. You are an officer of the Hahnemann Hospital?

A. Yes, sir.

Q. Is your thought the result of your experiences there or with other institutions, that they ought to have this supervision?

A. Mr. Barney, Maule, Perkins and I have been active there as managers between the meetings of the Board of Trustees, and I have taken a considerable interest in it. I have appeared once before the State Board of Charities, and I have seen nothing but the auditor who comes once in a while to audit our books. Our superintendent gets bids for all the supplies that go in there every three months, and I think the institution is managed as well as it could be managed, yet I believe the supervision would be a good thing.

Q. I can not understand why it is you suggest this additional supervision, why it should be necessary in view of the fact that these are public moneys and appropriated purely for charity.

A. That is just the reason, because they are public moneys and appropriated for charity, it ought to be done.

Q. It seems to me if they do not consider the source it comes from, they would consider how it was to be used. I can not conceive——

A. I think you are entirely right.

Q. You say on our Boards are prominent representative business men, and I can not understand exactly the reason for the suggestions that they should be so carefully scrutinized.

A. It is not a question of scrutinizing the gentlemen who are on the Boards of Managers of these institutions. You know very well and I know very well that they take no active part in the management of the affairs whatever.

Q. Should they not be men who will take an active interest, not for the purpose of seeing their names in print, but for doing the service for which they are appointed?

A. I think that is the ideal position.

Q. Is it not possible to scrutinize its management to see that the moneys are properly used?

A. I think if they have men on the Board of Trustees who will lay aside their private business and devote their time to it, it will; otherwise it would not.

Q. Would not the Legislative Committee have to be provided with more authority than the State Board of Charities?

A. It ought to be provided with more machinery than the State Board of Charities, and I think they will do a better work.

By a Member of the Committee:

Q. How many free beds are there in your institution wherein the public get the benefit of all this appropriation?

A. The public get the benefit of all the beds in our institution if there is a demand for it.

Q. By "demand" you mean if there is room for them?

A. I mean to say that if the public make a demand at any time, and no case is ever refused that comes to the hospital.

Q. Provided there is an empty bed?

A. Yes, sir.

Q. How often does it occur that those beds are not empty in all institutions?

A. I do not know about all institutions. So far as our institution is concerned, we are located in a neighborhood where we have around us a great many working men who work hard for a daily wage, who are just as good as any other citizens in any other part of the country, but they have not succeeded in saving up very much money. They have sickness in their families and we have a great many accident cases from the Reading Railroad, Baldwin's, etc.

Q. That is, they come in and go out continually?

A. Yes, but if a man comes into our dispensary who ought to be in the hospital, he is put in the hospital.

Q. How many private rooms have you in the hospital?

A. I can not answer that question. Mr. Barney can answer you.

Mr. Barney: Free beds, 187; private rooms, 51.

Q. You are familiar with conditions in West Philadelphia?

A. I am.

Q. The Philadelphia Hospital. If the Commonwealth of Pennsylvania perpetuated the hospital and gave it one-half the support which it is giving private institutions throughout the State, do you think you would be able to provide for the poor of the City more efficiently than you are now?

A. I don't think we could do as well as we do it now, because the poor of the City would have to congregate in one place.

Q. Isn't it practically where they are congregated, 90 per cent. of them?

A. You mean at the West Philadelphia Hospital?

Q. In comparison with the population of your hospital, as compared with the West Philadelphia Hospital?

A. No, because the objection is this, whether wisely or unwisely, the idea of going to the West Philadelphia Hospital or Almshouse is very repugnant to a great many people, whereas going to a private hospital is not so repugnant and they are perfectly willing to go there. I do not believe it would be wise to take our hospitals from the different locations throughout the City, a large City like this, and combine them in one place.

Q. I am not in favor of taking them from the several locations; I believe in our paying a little more attention to our own institutions than what we have been paying in the past.

A. I do not think anybody would object to that.

Q. That is where it would not hurt the private institutions which are interested?

A. I think we all agree on that.

DR. WILLIAM B. HACKENBURG, President Jewish Hospital, called.

Dr. Hackenburg: I appear solely as a representative of a hospital. My connection with the Jewish Hospital for 45 years, and 34 years as President of it, and I simply want to address you upon the relative matter of appropriations for hospitals, in its general sense. Hospitals and other public institutions for the care of the sick and wounded, for the homeless, for the aged and infirm, poor and orphan asylums must be regarded as necessary and important objects for the proper government of all communities, more especially those of large cities and towns. I contend that it is a part of the obligation due to the people that proper provision for the care of these dependent classes must be made, either by wholly supporting them from State or municipality funds or by assisting such private institutions that are organized for that purpose; if these private, or we may call them semi-public institutions, did not exist it is very certain that the different State governments as well as every large city would be enormously taxed for the support and care of these dependent people, therefore appropriations from public funds to assist in their support are just and right and thereby lessen the greater tax that would be necessarily levied for such purposes.

It has been said that there is danger of these appropriations being abused. While they may sometimes be disproportionate, I will venture the assertion that rarely, if ever, are they diverted from their proper use.

From a pamphlet recently published entitled "The Appropriation of Public Funds for the Support of Voluntary Hospitals," by S. S. Goldwater, of New York, I find that in 35 States and in the District of Columbia of this country and in the provinces of Alberta, Manitoba, New Brunswick, Quebec, Nova Scotia and Ontario, either State

or municipal appropriations are made to private hospitals for the partial maintenance of free beds and the care of the indigent sick; they are allotted either in yearly gross sums or by per diem payments or by yearly contracts for each free patient and by irregular donations.

In this State our Legislature has thoughtfully and liberally given yearly appropriations, and I can safely assert that had it not been for this aid some of our City hospitals as well as in other cities of this Commonwealth would either have been compelled to close their doors entirely or largely curtail the admission of free patients. I am also safe in asserting that every large hospital in this City has for a long time yearly shown a deficiency of income (some of them with State aid) to meet their current expenses. It is a well-known fact that in an up-to-date, well-managed hospital proper requirements for its work never cease, but I feel satisfied that they are as economically managed as these constant necessities for the proper care and treatment of the sick and wounded will permit. It must also not be overlooked that these State appropriations to hospitals are of much value to the public in aiding a large number of young men and women in securing a scientific education for the prevention and cure of disease. Many of our hospitals maintain Nurses' Training Schools in which young women are fitted to become professional nurses and are enabled after a three or more years education to enter the corps of assistants to the physician and surgeon in their work of relief and cure of disease and injury, earning for themselves a good and remunerative return for their services.

Equally as great advantages are given to the medical student by assisting him in his collegiate studies with the opportunity of a practical medical and surgical knowledge of diseases and study of their prevention and cure, by attending at different hospital operating rooms the ward study of medical cases and their open clinics.

Surely under all these conditions for the relief and care of the indigent sick, the educational advantages to the two

classes of men and women for a professional training it cannot be charged that the funds of the Commonwealth are misapplied, uselessly or recklessly spent in appropriating money for the furtherance of this public work in the partial support of hospitals and other cognate institutions.

It may be possible that the lump appropriation is not always the best, some institutions at times may receive more than they are justly entitled to, while others receive less in proportion to the number of free patients treated in the institution.

For instance, I have in mind a hospital in this City receiving State aid in which about two thousand house patients were treated; nearly 1,600 were free, being about 80 per cent. of the whole number, who received an aggregate of 40,000 days support. This is only a fair sample of the work of many large hospitals in Philadelphia, and this institution was \$15,000 short of enough income to meet its ordinary expenses.

It seems to me that a more equitable plan might be arranged for State help to our hospitals and other charitable institutions, that would be safe-guarded for the State and fair for the recipient; for instance, a per capita allowance for each day's support of indigent or worthy non-paying patients, or a diem amount for the total number of days furnished to free patients to be paid monthly or quarterly. A similar system controlled by proper rules and conditions has been found to work well in New York, Massachusetts, District of Columbia and other places.

An appropriation for a certain number of free beds I do not think would be a good plan and would be liable to serious abuse; while in some institutions those free beds might be constantly filled, in others they might be frequently without occupants. This would be unjust to the crowded house and an imposition upon the State.

All institutions receiving State aid should at the end of their fiscal year render a sworn itemized statement similar to that rendered yearly to the State Board of Charities to

the Auditor General of its financial affairs for the year, number of free beds, how many were occupied, total number of days support to free patients, and such other information to verify its claim for State aid already paid for the year and that could be used as a basis for the following prepared by a competent hospital authority in connection with the Auditor General's office or the State Board of Public Charities.

I can safely say that all appropriations by the State for hospitals and cognate institutions I am perfectly satisfied have been properly used. The institutions are all economically managed. The Board of Trustees of every similar institution, I believe, serves without any compensation or expectation of fee or reward.

By a Member of the Committee:

Q. Is that generally true?

A. I think it is, with the exception of possibly the Secretary. He is generally a paid officer with a small salary.

Q. So far as your knowledge goes, no officer or President of any Board of Trustees of any hospital in this City receives any salary?

A. So far as I know, no officer receives any compensation excepting the Secretary. I have yet to hear of the first case of a paid officer.

If I may be pardoned for introducing a matter that possibly may look like rather a private matter—I do not consider it a private matter—a remark has been made here with regard to the care of tubercular patients. I want to say that the hospital over which I have the honor to preside for many years, seven or eight or ten, has tubercular patients in its general ward. Since 1890 it has had a separate department, a separate building under the management of the Board with a separate corps of nurses and staff to take care of it, and it has now 39 or 40 beds in it occupied all the time, with from forty to fifty applications

for admission. I only say this because the remark has been made here to-day that there is no general hospital in Philadelphia taking tubercular patients.

By Mr. Brown:

Q. Has there been any infection of patients in the other wards?

A. Not to my knowledge.

Q. Covering a period of how many years?

A. We had in the general ward up to 1890, I suppose, possibly more or less for twenty or twenty-five years.

Q. What about the question of supplies, do you think the supplies could be furnished more cheaply by purchasing them through a central bureau?

A. That is a very serious question. I have looked into that question quite seriously. They have taken the matter up in the City of New York, and I will give you the particulars of that in a few minutes, but it seems to me that if a system of that kind was adopted it would be a serious injury to the quality. I think the quality would be seriously affected. In hospital supplies as a rule large hospitals or fair-sized hospitals generally buy in large quantities, and I am very well satisfied the system adopted in other hospitals is very much as our own, and they buy in such a quantity as to warrant the prices being put down to the very lowest margin. We have a Supply Committee which asks for bids and they buy generally in very large quantities, quantities to last a year, and they get very low prices, I am satisfied as to that. As to our marketing, we have in connection with our hospital twenty acres of ground and we raise much of our produce, a great saving to the institution, and I think that the other supplies are bought at the very lowest market prices, and I doubt very much that if a commission, which would necessarily be a paid one—the expert superintendent would be paid, the buyers, who necessarily would be experts, would have to be paid, and all the expenses of running the institution

would have to be paid, and these supplies are different from a railroad; in the railroad the man who buys oil does not buy railroad ties, and they have experts or supervisors for those different departments. If you had a central depot for the purchase of supplies it would be a very expensive institution to run, if you had experts for all the departments you had, like the purchase of instruments, which are a very delicate instrument, they would not want to go to anybody else than their own experts.

Q. They could be gotten on requisition?

A. Yes, but it would be a very difficult thing to get the quantities they wanted.

Q. It would be cheaper to buy a car load than it would be to buy in small quantities, would it not?

A. Not in all cases.

Q. Not referring to surgical instruments?

A. No. I think that during the year the car load would not be any cheaper than possibly five or ten bolts of muslin would be. Of course, a great deal of this whole business is confidential.

By Mr. McNichol:

Q. Is there a teaching class connected with your institution?

A. Yes, sir, we have 52 nurses.

Q. I mean any class for the doctors?

A. The clinics, we have the surgeon who is operating who explains his cases as he goes along with them. As a rule we do not have large classes at all operations, as we are a distance from the City, about five miles, but we have at times a number of students and visitors there.

Q. People come there from different colleges?

A. Yes, sir.

Q. How about the nurses?

A. The nurses have lectures every afternoon from the chief nurse, and lectures three or four times a week from the members of the staff, from the house and visiting staff.

Q. Their tuition is free?

A. They are not paid. No member of the consulting staff is paid.

Q. How long do they have to serve?

A. About a month at a time. For instance, the lecturer on surgery will have two or three lectures a week for two or three months. The different subjects will be taken up at different times.

Q. Do you get any returns from those nurses that are occupied in attending some of the patients there?

A. No, sir. We pay them a sufficient amount to pay for their uniforms.

Q. Don't you have any private patients there that you collect from?

A. Yes, sir. We have a private building with about thirty-eight beds in it.

Q. Part of the bill of that patient is for nursing?

A. We do not always have our own nurses, and not always private nurses. We furnish about one nurse for four patients, is our average. When they have outside nurses they bring them in.

Q. When they furnish the nurses——

A. We do not charge for them.

By Mr. Brown:

Q. Is there any money appropriated by the State used for any other purpose than charity?

A. Nothing under the sun. We had sixteen hundred free patients last year out of 2,000 patients.

HENRY W. CATTELL, Editor Medical Notes and Queries, called.

Mr. Cattell: Mr. Chairman and Gentlemen of the Committee, Ladies and Gentlemen: The hospital was originally founded for the poor. It has become a refuge for the rich, for this reason——

Mr. McNichol: Will you enumerate as you go along those hospitals which you place in that category?

Mr. Cattell: I think you could start with nearly every hospital and put it in that category. I would not like, without going into detail, but practically all the hospitals——

Mr. McNichol: All the hospitals of the type we have in Philadelphia?

Mr. Cattell: Of the type of private hospital that is receiving State aid, those with which I am familiar, originally intended for the poor, have now very largely become the refuge for the rich, and it is the great middle class, to which I belong, that do not receive benefit from these State appropriations.

Mr. Sproul: Is there any objection to the rich taking this advantage of these things if they can take care of the poor as well?

Mr. Cattell: When Socialism comes into power, then, perhaps, the poor and the rich will be taken care of alike, but as I understand there is not sufficient funds to do things as they should be done in the State of Pennsylvania.

By Mr. Sproul:

Q. As I understand, the rich pay for what they get in the institutions?

A. The rich do not pay for what they get.

By Mr. McNichol:

Q. They are getting the benefit of these appropriations we have been making to these institutions?

A. You must divide the appropriations into buildings, construction, new equipment, and into maintenance. Now, let us take without mentioning——

Q. We want you to particularize, because we have an opportunity to go after these particular places. If you are going to speak in generalities, we might just as well have your paper filed here and go over it ourselves.

A. I would not like to mention one hospital when there are so many.

Q. Mention all the hospitals that you have. Just take the curtain off and let us look into it?

A. Let us then take the appropriation for the erection of the new clinical wing of the University of Pennsylvania. I do not know the figures in regard to that.

Q. Mr. Brown can give you those figures possibly.

Mr. Brown: For new buildings for 1909-'10, \$165,000. For 1910-'11, \$165,000. University of Pennsylvania Hospital Buildings. Is that the item you refer to?

Mr. Cattell: If that refers to that special new wing.

Mr. Brown: It does not say.

Mr. Cattell: The amount is indifferent. Let us say the cost of that new wing is \$100,000.

Mr. Brown: I will give it to you exactly. Is that the item?

Mr. Cattell: No, it is the wing right next to the Pepper Library. It was dedicated last fall.

Mr. Brown: No such appropriation apparently.

Mr. Cattell: It was State money used for that purpose.

Mr. Brown: There are only three items for which they asked, maintenance, \$150,000; buildings and gymnasium, \$125,000; nurses' home, \$75,000. The State Board of Charities approved \$150,000 for maintenance; buildings,

\$50,000, and nurses' home, \$50,000, and the appropriations in 1910-'11 were \$330,000. They overlap, \$165,000 for 1910 and \$165,000 for 1910-'11.

Mr. Cattell: It is immaterial as to the amount. Let us say the appropriation is given for construction, \$100,000. That first of all would be used for teaching purposes, a large portion of it, and the second portion of it will be used for clinical examination in diagnosing diseases. Now, it is the rich that causes the demand for these diagnoses, and not so much the poor. Therefore, the building is used first for teaching, second, largely for the diagnosing of the diseases of the sick rich—and not for the poor—and this cost is not charged up properly. Now, to illustrate, the way the account is sometimes kept, a bed is endowed for \$5,000; the income from that sum is supposed to be sufficient to pay for the patient—it is not quite; that patient pays seven dollars, that goes into that bed, and another seven or eight dollars, or whatever the maintenance may be, is collected from the State. In other words, so far as the bookkeeping is concerned, at least so far as I can make it out, the income from that bed, so far as the hospital is concerned, is three-fold: first, from its endowment; second, from the State, and, third from the patient.

By Mr. McNichol: Does that condition exist in the University of Pennsylvania?

A. I asked to have access to the books of the University with my private accountant and they have very politely refused me.

Q. Was that equally true of the Jefferson?

A. I will make no specific charge in regard to that thing. I know it is true with regard to some of the hospitals as they exist in Philadelphia to-day.

Q. You made an attempt at several of the hospitals——

A. I made an attempt at several of the hospitals to get information and I have been very politely denied access to the books with expert accountants to go over them.

Q. And you make the statement that those hospitals receive a revenue in three ways: from an endowment——

A. Yes.

Q. That is by private subscription?

A. Yes, an endowment. Sometimes they pay as high as five or seven dollars, and they can charge that up to the State.

Q. That is the condition in Philadelphia?

A. It is to-day.

Now, to continue this thought, I personally do not believe that the present method of distributing the State funds in Philadelphia is conducive to the best interests of the public. I believe the number of medical schools should be reduced, and I have outlined personally a little scheme to that effect. I believe the number of hospitals should be reduced. I believe greater efficiency can be maintained by the reduction of the number of hospitals, with larger central hospitals, and smaller branches, so everybody can be taken care of.

Q. What do you mean by "everybody taken care of"?

A. Both the rich and the poor that should be taken care of.

Q. You mean the patients?

A. Yes. For instance, what is the use of equipping every hospital with an X-ray plant, when if there was a good X-ray plant in one of these hospitals that would be sufficient, and the money saved could be used in strengthening other institutions? I therefore believe that any appropriation which can be made to these hospitals should be greatly reduced until the year 1915, when only two or three of the teaching institutions should have appropriations, and I firmly believe that the question of the appropriation should be used as a means for bringing the hospitals together, if they would not get together and unite, as well as the medical schools.

Q. Have you ever tried to bring the medical men together?

A. Yes, sir, and there is a meeting tonight of one of the medical schools to consider that very question.

Q. Of a medical school?

A. Yes, sir.

Q. Have you been successful?

A. I would not like to say I have.

By a Member of the Committee:

Q. Are you on the staff of any medical school?

A. No, but I have been on the staff of one.

By Mr. McNichol:

Q. Which institution have you been connected with?

A. I have been connected with the LaFayette College, which does not receive State aid, and I have been connected with the Presbyterian, Blockley, Pennsylvania, University, and various other hospitals, some eight or ten more, I believe, and therefore, following out this line of argument that if there be any money that the State can appropriate to take care of the poor in Philadelphia, that money should go to strengthening these institutions such as Blockley and the Municipal Hospital, and that other money should go toward establishing more institutions throughout the State of Pennsylvania, which are sadly needed, and that money should be used in some such manner by the State, money which goes to the schools at the present time.

By a Member of the Committee:

Q. Do you believe those institutions are accumulating funds at the expense of the State, by fraud?

A. I would not like to call it by that name. It is done more through carelessness than anything else.

By Mr. McNichol:

Q. Do you mean this method of collecting in three different ways for that endowment bed is done in an honorable way?

A. The amount of the State appropriation depends upon the number of patients that they can show they have treated. If the patient costs twelve dollars and if the patient pays five dollars, there is a deficit of seven dollars. It is a question of bookkeeping of what to do with that five dollars.

Q. That fund has been provided for by this endowment. You would not say a business man would be justified in charging up against an account that he has already been paid for?

A. If you do not keep one set of books for your pay patients and one for your free patients, I do not see how any man can tell how much of that has been used for the free and how much for the paid patients. When the resident physician charges up his dinner and that is charged up to the maintenance of the State, then you must admit that they are not charging up to the State the care of the poor. Take a hospital which has a resident physician entirely devoted to the pay patients, is that food which goes into that resident physician's mouth charged up to the State or not? Those are things I believe should be looked into by the State.

By Mr. Brown:

Q. Could not that be done by a per capita charge?

A. Yes, that is a solution of the problem. There should be a minimum and a maximum charge.

Q. Which could be agreed upon between the hospitals at the beginning of the year?

A. Some of us are agitating at the present time that the hospitals get together and promise not to ask for any more money from the Legislature than the State Board of Charities themselves suggest the hospital should have. In other words, sometimes the State Board of Charities will recommend, say, \$30,000, and then the influence will be such that a hospital will get \$40,000 or \$50,000 or \$60,000.

Q. Is it your idea that these figures or accounts are

juggled in such a way that the hospital shall get more from the State for what purpose, to take care of the poor or give additional comforts to the sick rich?

A. The hospitals are unfortunately at times run for the medical staff as well as for other people.

Q. By the way, who does run the hospital, the boards of trustees and managers, or the doctors?

A. Sometimes the doctors, and sometimes the others.

Q. Are not the doctors generally the overwhelming influence?

A. No, I think the Boards of Managers of many of the hospitals.

By a Member of the Committee:

Q. Are they salaried? The statement was made this afternoon by a gentleman whose name I do not now recall, that to his knowledge no one excepting the Secretary to a Board of Directors received a salary?

A. Well, I have heard it whispered that when a certain hospital became an educational institution one of the members would then ask for a salary.

Q. There is no such case that you know of, is there, of a Board of Trustees drawing salaries?

A. I do not know of any case. I know where they have asked for it, but I do not know where they have gotten it.

By Mr. Brown:

Q. You do not mean to intimate that there are any improper methods used in doing these things; it is the improper way of keeping books and a lack of judgment, as I infer?

A. I would not like to accuse anybody specifically of any illegal act or thing in these matters, unless I had the absolute proof thereof.

By Mr. McNichol:

Q. If they are doing what you charge them with doing, they are doing an illegal act. They are not using the

money for the purposes for which the Legislature has appropriated it, to wit, taking care of the poor; that is true, is it not?

A. Yes, that is true.

Q. That is your charge?

A. That is the question for investigation by your Committee, or any other committee appointed by the Legislature.

Q. You say that exists in Philadelphia?

A. I say it exists in Philadelphia to-day, to the best of my knowledge and belief.

By a Member of the Committee:

Q. Do you know that notwithstanding the amount of an appropriation made for the purpose of maintenance to an institution can not be drawn upon in excess of the actual cost of maintaining that institution, and that no moneys can be taken from the State Treasury until after the Auditor General has audited the accounts for any certain quarter, and that it would be impossible for an institution to accumulate moneys—that is, an institution that was receiving State aid to accumulate any money beyond the actual cost of keeping the patient?

A. That is true, indeed, and every hospital has other sources of income from which it draws the interest, and you can not differentiate between what goes to the free and what goes to the pay patient. Suppose the accounts are presented, supposing there is \$200,000 appropriated and \$125,000 is drawn from the State. The bills are made out so as to show the \$125,000 that was expended from the State. These others are mere private citizens.

Q. You are casting a reflection upon the audit made by the State?

A. It is a reflection on no one. It is a reflection on the loose methods in vogue, because they are mixed up with the pay patients and you can not differentiate. It is utterly impossible.

By Mr. McNichol:

Q. It is not the loose method of securing the appropriation, it is the method of carrying out the provisions of the appropriation?

A. Of the law.

Q. Your idea is, boiled down, that the hospital should keep a separate account of the State appropriation divorced entirely from any private funds that may be given to that hospital?

A. It is more radical than that—the hospital not controlled by the State should not receive anything from the State.

Q. It practically excludes everything except——

A. Everything except some two or three teaching hospitals, which absolutely require the State's money, and strengthening existing hospitals for the poor, which are to be found in the City of Philadelphia and elsewhere.

Q. You would enumerate as the teaching hospitals which ones?

A. I would include the University, Medico-Chi., Jefferson, Temple, the Samaritan, and the Women's Hospital.

Q. You would not help us very materially——

A. I would reduce its medical schools to two or three; I would have Jefferson and Medico-Chi unite, and go right down the list.

By Mr. Brown:

Q. Is it not very strange that after all these years and with all the efforts of physicians and ministers and those especially interested in this work, that they have not devised some way by which this could be absolutely and fairly done?

A. No more strange than that the Sugar Trust and the Standard Oil Trust or any of those things have not yet devised means whereby certain things could be prevented.

Q. You can not put doctors and ministers who are en-

gaged in the distribution of sweet charity in the line of men who are managing Standard Oil and the Sugar Trust.

A. I think human nature is the same.

Q. I can not understand it. These men and women do care for the sick and the poor, and are engaged in the noble work of saving lives and fighting disease, and are giving up hours and hours of their time.

A. And they are getting their money out of the private patients in the rooms.

Q. And the students get the benefit of their clinical knowledge from that, and these people go all over the universe to help the poor sick?

A. I firmly believe, as I stated before my view of the teaching hospitals, but the number of teaching hospitals should be reduced.

Q. What about the people who can not come to the hospitals? You are going to reduce 129 square miles of territory for miles around, where there is no hospital. Where would you put your two hospitals to serve this vast number of people?

A. I suggested there should be eight to twelve large hospitals in the City of Philadelphia, and numerous small hospitals as demanded.

Q. No State hospitals?

A. I believe they should be under State control.

Q. What do you mean by "under State control," do you mean under State management?

A. Under State or City management.

Q. You think that can be done more economically than it can be done under private management?

A. Undoubtedly.

Q. Do you figure voluntary contributions an element in this problem?

A. There will always be hospitals that will be under endowment and private gift, such as the Presbyterian, University of Pennsylvania, Episcopal, Pennsylvania and

hospitals of that sort, which will take care of the people, so that there will always be a number of pay hospitals which will run——

Q. You think under the adjustment there will be a survival of the fittest?

A. There will be a reduction in the number of hospitals; say there are 52, down to 25 or 26 or 27, and the efficiency of the 25 or 26 or 27 that remain will be very largely increased over the efficiency of some of the hospitals that now exist, in my opinion.

By Mr. McNichol:

Q. Your Committee are anxious to have your information, if it is possible to secure it, as to what channels you consider these appropriations have been secured and the graft that is supposed to be paid in securing those appropriations. If you do not want to give it publicly, we would be glad to have it privately.

A. That is a very large question and a question I have given due consideration to, and a question I have certain information upon that I should be glad to furnish the Committee either publicly or in private.

Q. We would be glad to have it either way you consider proper to give it. We would like to have it, if it is possible to get it.

A. I will see that you are put in possession of certain abuses that have crept into the State appropriation, and what I mean by that is the legal evidence in regard to the matter. I would consider this was not the proper place to blast a reputation or make political capital or anything of that sort out of any statements that might be made.

By a Member of the Committee:

Q. It would be a very good place to do it, doctor, because you have made your charges here.

Mr. McNichol: No, he made his charges elsewhere.

A. Any statement I have made, we are all here for the common interest of the State of Pennsylvania and the City of Philadelphia, and whatever we may think differently in regard to some things, we want to do the right thing for the State of Pennsylvania.

By Mr. Brown:

Q. Suppose we put it in concrete form. You made an address before the Medical Society?

A. Yes.

Q. Wherein after reading a paper this language among other was used: "For the guidance of hospitals," etc., "devote 10 to 20 per cent. of any appropriation which you may receive to political purposes and charge the amount so expended up to legal and miscellaneous expenses. Have plenty of private rooms and permit 50 per cent. of these to be occupied free of charge by politicians and their friends, and allow the other half of the rooms to be taken exclusively by the pay patients of the medical and surgical staff of the hospital which receives the appropriation." Now, that statement was made before a large body of medical men?

A. Yes.

Q. Who certainly would be the leaven which would spread it throughout the Commonwealth and the universe. It seems to me if you have any evidence which will justify that statement, which is certainly most comprehensive, that this Committee should have the benefit of it. I do not mean to say that if you knew that somebody said to John Jones or to me, "I will give you ten dollars to get an appropriation," that that means that, but if you know of any system that is so pernicious as to justify the use of that language, I think this Committee ought to have it.

A. I have already told you I would be glad to put the Committee in the way of getting certain information. We all understand the difficulty we have, when we have such able lawyers as we have in the State of Pennsylvania, to get the kind of knowledge—

By Mr. McNichol :

Q. You say you will put us in the way of getting the information?

A. Yes.

Q. Aren't you possessed of that information?

A. I have some of it in my possession.

Q. Will you not furnish this Committee with that information?

A. I will furnish the Committee with it.

Q. We want what you have.

A. I told you before I would be glad to furnish you that information which I have in my possession.

Q. Will you furnish that to Mr. Brown?

A. I shall be glad to do so.

By a Member of the Committee :

Q. Have you any of it with you?

A. I haven't the information in such shape that I would be prepared to furnish it at the present time.

By Mr. McNichol :

Q. With the names of the men and institutions involved?

A. With the names of some.

Mr. McNichol : We want to serve notice upon you that we intend to furnish them with the information, which will require you to substantiate your evidence.

By Mr. Brown :

Q. Are there no poor served in Pennsylvania, for all of our millions?

A. There are many served.

By Mr. McNichol :

Q. I would like to ask the doctor what type of politicians he refers to, reformers or regulars?

A. Permit me to simply read an extract from the report of the Pennsylvania Hospital, and I think you will find it there, whichever one is in power.

Q. That is hard to discriminate.

A. This remark is taken from the report of the Pennsylvania Hospital when they attempted to obtain their million dollar endowment, and I hope the Committee will ask some of these gentlemen also to give information as to where they obtained their personal knowledge in order to make such statements.

Q. How long ago has that been?

A. This was in 1907, two years ago. "Theoretically, the idea of receiving State appropriation is beautiful, but practically the institution is called upon to pay in one way or another the consideration for which the State funds are appropriated to it. Failure to do this, or political heterodoxy, as viewed by the party which may for the time being hold the reins of government, results either in the curtailment of the appropriation or in its entire refusal, whilst the assertion of political freedom and independence of thought on the part even of a single member of the managing body may result in the harshest criticism and most unjust strictures on the part of those to whom is intrusted the supervision of State appropriations by the institutions to which they are given."

By Mr. Brown:

Q. Who signed that, is there any name attached to that?

A. I have the original in my possession, among my other papers.

Q. And that was issued for the purpose of soliciting private contributions?

A. That was issued for the purpose of soliciting private contributions of a million dollars.

Q. The Pennsylvania Hospital, was it not?

A. Yes.

Q. Was it upon that that you based this article or this criticism?

A. It is one of many.

Q. That is the kind of a communication upon which you based that declaration; is that all?

A. No, that is only one of many.

Q. Was the others similar to that?

A. Some of it was a great deal more specific.

By Mr. McNichol:

Q. Do you know that in the Pennsylvania Hospital that the medical men are required to take a residence there, even though they have wives and children residing in other sections of the town, for the purpose of registering and voting in that particular locality; do you know that that exists?

A. No, I do not.

Q. You never made any effort to investigate that?

A. I could not make an effort to investigate something about which I knew nothing.

Q. You are familiar with Pennsylvania Hospital rules; has that condition never been brought to your attention?

A. I know some of the rules of the Pennsylvania Hospital.

Q. Do you know that there are twenty-five or thirty votes in the Pennsylvania Hospital from all sections of the town, men residing in the northeast and northwest, that are you voting down at Pennsylvania?

A. I know more about the conditions down at Blockley.

Q. With the idea that the doctor will furnish Mr. Brown with those facts—

A. I shall be glad to furnish Mr. Brown with everything I have.

Mr. Brown: I want to say you will have to bring something more than that if you want it considered.

Mr. Cattell: I would suggest that Mr. Brown be put in possession of the names of the people who signed that, besides my own.

DR. ALICE M. SEABROOK, representing Women's Hospital, Philadelphia, called.

Dr. Seabrook: I have been very much interested in all that has been presented to you to-day, because it is right in the same line with our own work. I have two or three things I would like to present to you. A great deal has been said about the different costs per capita of the patients, and I think when you want to get at that you want to take into consideration the fact that there are just about as many different ways of computing that cost per capita as there are institutions. Some will include all the expenses, repairs and help, heat and light, and everything of that sort is included in it, and so if you want to get at the thing definitely and accurately, in regard to the per capita cost of patients, we would have to have a uniform system of accounting, in which every institution would include the same things in the cost on which they would base their charge. I am not recommending anything, but I do know that in the American Hospital Association that question has been discussed and threshed out a great deal during the last few years, and a committee was appointed to draft a system of uniform accounting, and that is in use in many of the larger hospitals in New York City, and if any of you gentlemen want to inform yourselves upon that, a note to the Superintendent of the Presbyterian Hospital, Dr. C. Irvin Fisher, would give you the result of a great deal of labor that was put upon that.

Now, personally, from my experience in hospitals, I think I should like to have the appropriations made on the number of days that we treated patients. I think we would like to stand by that and have the appropriation made upon that basis.

By a Member of the Committee:

Q. That is, the number of days?

A. On the number of days that we treat free patients or part pay patients.

Q. At so much per patient?

A. At so much per patient, yes, sir.

By Mr. McNichol:

Q. How do you distinguish the partially paid patients?

A. In our hospital, we count those as part pay who pay anything between fifty cents per week up to the cost of their maintenance, which is about twelve dollars per week, the actual cost of their maintenance. All those who pay what it costs the hospital are put on the list of full paid patients; those which are only paying part of their cost are put on the list of part paid. I have been told—I do not know how true this is—that in some hospitals patients that only pay two or three dollars a week are not counted as part paid patients, that they are counted as free patients, and the amount, whatever they pay in, is put down to the list of donations or contributions.

By a Member of the Committee:

Q. Do you know of any institution where that is done?

A. I do not. I have been told that. I say, we always count it as being credited up against the name of the patient, so you may know exactly whether they have made any return or not. The question of endowed beds coming in, we have 260 in the hospital, and we have about 98 that are used as free beds often. We not only use all these endowed beds for free patients, but we see to it that all money that comes to us from the State and contributions for that purpose are used for the people who maintain them, but always the demand for help outruns the amount we have. We are also teaching. We have public clinics to which students may come, and we have a class running from 54 to 60 nurses in the hospital, who are taught, thoroughly trained and sent out.

By Mr. Brown :

Q. From what part of the State do those nurses come?

A. We have them from Canada to Florida, and from Missouri to Massachusetts.

Q. Your students go where?

A. Medical students are from the Women's Medical College, usually, and they go out all over the country. We have them from all foreign countries as well as our own City here and from our own State. Of course, there is always the one thing that is looked out for especially, and that is that free patients are not from outside of our own State. There is a good deal of stress brought to bear upon us, sometimes, from our sister State across the river. People over there often make strong pleas to have free patients admitted, but unless they have some one to come forward and bear their expenses we do not admit them.

Q. Do you not take them in for clinical purposes sometimes?

A. Not if they are free. They have to pay something for their care. There is an exception, we have one or two beds endowed by people outside the State, and it is definitely stated that they are for the benefit of people coming from certain sections of the country, and, of course, those people receive that.

FRANCIS A. LEWIS, representing the Episcopal Hospital, called.

Mr. Lewis: I have only a few words to say. The Episcopal Hospital does not receive State aid, never asked for it and does not want it, but, on the other hand, if we do not ask for appropriations from the State, we do not think it is quite right that we should be asked to make appropriations to the State, and what the Episcopal Hospital wants, and I believe the Pennsylvania, although I do not speak for it, is to endeavor to draw the attention of the Committee to the advisability and propriety of abolishing the collateral inheritance tax on bequests to institutions of purely public charity. You exempt their real estate, their investments are exempted from the State tax, and it seems hardly fair to us if we are left a legacy of a couple of hundred thousand dollars, as we were last year, and obliged to pay \$10,000 to the State of Pennsylvania, which the State distributes to some other charity, which the testator did not intend should be done. Now, if that money were needed for paying the expenses of the State government, I think it would be one thing, but I do not think we ought to tax any institution of purely public charity—I mean the University libraries or anything now exempt by law—that we ought to tax the bequests which are made to us and take the money out of one pocket and simply hand it over to another. That is all I desire to call the attention of the Committee to.

By a Member of the Committee:

Q. Your policy, as I take it, would be to reduce the revenue of the Commonwealth. What would you say if we took it off of that and put it on coal?

A. You know we are always in favor of taking it off of one and putting it on another. I have always been in favor of a tax on coal.

Q. What would you say to taxing manufacturing corporations?

A. Well, with all due respect to you, I am not a business man. I was a lawyer once, but I am interested chiefly in the charities of the City at the present time.

Q. Well, as a man of affairs?

A. I should think it was very doubtful policy, so far as I have been able to look into the matter.

Q. The money you would lose by taking the tax off of such as you have just mentioned, where would you expect to make up that deficiency or loss which the Commonwealth would suffer thereby?

A. Well, I tried to get some statistics as to what it amounted to. I do not believe it is a very vast sum, and I believe if you could not tax coal or anything else to make it up, it would only be fair not to have quite so much money to appropriate to those institutions, because I think a testator ought to have an opportunity of giving his money to whom he pleases, and, as I said before, if the State does not need the money for its absolute expenses, I do not think it ought, morally speaking, to take money that is left to the Pennsylvania Hospital, and give it to some other hospital which it was not intended. When it comes to the question of gifts, I think the intention of the donors ought to be preserved.

By Mr. Brown:

Q. Mr. Lewis, the fact that your hospital does not ask for State appropriations, has that ever been the subject of discussion by you and your officers?

A. Yes, sir.

Q. Do you think these other institutions are benefited by State aid, when you have been able to operate without State aid and prosper?

A. Well, in the first place, we have been in existence for a very considerable length of time. The Episcopal Hospital was founded in the early fifties, and a great deal

of money has been given to it. The endowment fund now reaches \$100,000 a year, and the expenses of the institution about \$160,000. We get something from the churches by their Thanksgiving Day collection. We get something from the Board of Missions, and while we have a deficit, it always happens, taking five year periods, that we always have more money than we had five years before, so we do not worry so.

Q. How about your free service?

A. The service is mostly free. I should think the income from patients was less than \$20,000 a year.

Q. When you speak of donations, are those voluntary or gotten by individual effort?

A. You mean to build up that endowment fund?

Q. Yes.

A. A great deal was given, a great deal more was left. It is an institution that always appealed a great deal to people, because it is right up in the middle of the mill district. We have more dispensary patients there than any other hospital in the world, except Guy's Hospital, in London. Of course, the accident cases are enormous. Those young surgeons who graduate from the various hospitals here would rather get into the Episcopal, because they get a chance, on account of its being right up in that district, to see the accident cases.

Q. How are they able to get along without State aid, and the other hospitals require it?

A. I say, the Episcopal can do it very largely by reason of its endowment. It is supported in a very great measure by the wealthy. I think there are too many hospitals in the City of Philadelphia, and I think if the State is going to aid them, and I am not clear on the question of policy at all, I think they ought not to aid any institution that can not pay at least two-thirds of its expenses from other sources. I do not care whether it is by endowment, or subscription, or what it is. Hospitals are like churches—there are too many of them—and small churches and small

hospitals are no particular good. You had a great deal better take the large hospitals in Philadelphia, and situated in different parts of the City, and if people want to get up a new hospital, then let them add a ward to that. There are a great many people who want to give their names to an institution, and when they give their name they do not give anything else, except the building. We have a large amount of territory up there, a large amount of ground, and they expect us to exist in new buildings where people do not provide sufficient money to run the building. Somebody wants to put up a building and put his name on it, and then the institution gets started the best way it can. I do not think that is good policy. I think the State, in making its appropriations, ought to very closely draw the line as to what the institution does for itself.

Q. Then you are assuming a correlative obligation on the part of those interested in the hospital, an obligation on the part of the State to take care of its poor or sick?

A. Undoubtedly. I think it is the duty of the neighborhood, of the City, to look after its poor, and I think it is also possible—I am not going into that question—but I think it ought to be very carefully done, and I think it ought to be done in some proportion with what the institution does for itself. I came chiefly to direct the affairs of the Legislature to what I think is an injustice, that those institutions that receive bequests which are purely of a charitable character should be obliged to pay out some of it to the Commonwealth.

By a Member of the Committee:

Q. Would you exempt savings funds from paying any tax?

A. You exempted your savings funds from the State tax, as I understand.

Q. Yes.

A. But we are exempt so far as—all charitable insti-

tutions do not have to pay the State tax. I have not given that subject any very great thought, but I am very much interested in the charities in Philadelphia, and I think perhaps there are too many of them, but, at the same time, I want to get this other thought in your minds, that where people are at least kind and willing to give them money in their wills, that they may have the benefit of it, no matter what religion or denomination they belong to, or whether they do not belong to any denomination, if people are willing to leave money to build up charities and institutions of this City, I think the money ought to go where they intended.

By Mr. McNichol:

Q. Will you not try and hand up some paper and file it with us, giving us your ideas?

A. Yes. There was a bill introduced at the last Legislature, at the instigation of the Pennsylvania Hospital, which was not passed, but it was drawn, and we did all we could to get it passed. I suppose if I were to send Mr. Brown a copy of that——

Q. That will give us an idea of what you want?

A. Yes, sir.

DR. ROSENGARTEN, representing the House of Refuge, called.

Dr. Rosengarten: Ours is rather an exceptional case. There are practically but two institutions of the kind, one in the West and one in the East. The one in the West was the outgrowth of this one of ours, which is eighty years old. It is a public institution, and it is cared for under that head. The question of whether institutions ought to be State or semi-State institutions is pretty well exemplified in the two cases. They have less ground than we have down at the Mills, and their cost of maintenance per capita is about 53 per cent. more than that of the parent institution at Glen Mills. The difficulty is to draw the line. The old House of Refuge was the first in the State, began in 1826 or 1827, and then the City contributed to its support, and then the State gave a per capita allowance, and then there were changes made, and for a long while they had one-half of the State and one-half of the City, at a rough estimate, and then the City, only a few years ago, had a careful estimate made, and the result was that the Legislature made an agreement by which there is a per capita for every child sent to the institution. The State pays, roughly, one-half of the maintenance.

By a Member of the Committee:

Q. Does that make up the difference in cost?

A. Yes.

Q. As against the amount the county pays?

A. Yes, practically. It has been suggested that the per capita tax rule is the best for both State and counties, for in that case there would be returned and charged for exactly the number of beneficiaries. As it is now, it is only up to the county. We send to each county, Philadelphia and all counties in the Eastern half of the State,

we send a statement to the end of the year, showing the per capita cost, either increased or reduced, based on the cost for the year. If the State had a similar arrangement, I think it would be much better, as they do at a great many institutions. I think they are all paid a per capita allowance, so that there is no asking for any sum other than just what you are entitled to on that basis. The question of appropriations for buildings is, of course, a different one. The large advantage I think it is fair to claim for the House of Refuge in the East, is that it has been—easily 75 per cent. of the buildings and ground have been provided by private gift. When the House of Refuge was removed from Twenty-second and Poplar, the Boys' House, at Twenty-first, the property was sold and that produced a considerable sum, and from the accretion of years—they had bought additional property, and finally they got in all, I think, \$250,000 for that property, and then they got in subscriptions about \$500,000, and that has all been expended at Glen Mills, and there is now about a population of 900 there, and we are still like Oliver Twist—asking for more. There is need for more buildings. Then the girls' house, which was in the City, has now been removed to the country. Alfred C. Harrison gave us a farm, roads, power plant, just as he gave on the other side of the road, at Glen Mills, a gymnasium and a number of other things that represent a very large sum of money. Indeed, that is not the only thing, because when he gave a gymn. he added to it a liberal endowment the income of which maintains it, so that the gymn. and swimming pools and all those luxuries do not cost the institution, or the county, or the State, a cent. The State exacted from us, that if they gave us \$125,000, that we raise a like amount, and that, I think, has been more than met. We are still needing, of course, very many more buildings, and I suppose in time, just as at Glen Mills, some will be the gift of private individuals, just as the chapel, work house, shop and hospital and things of that

kind, were really the gift of private individuals. That is the advantage of having this semi-private management. You can interest an individual in an institution that is run by individual effort and management. I do not suppose there is any case on record where a State institution is receiving a benefaction from an individual.

The appeal we make to your gentlemen is that the State shall be liberal in its gift for maintenance, and generous in its gift for buildings, and we will try as far as we can to utilize those funds and do the best we can with them. I think your own knowledge of Morganza will show you that it is better for an institution of this kind, so far as possible, to be managed by individuals, rather than by a State commission.

By Mr. Brown:

Q. Such an institution would normally be under State control; is that not so in other States?

A. I think there is no rule on the subject.

Q. I think it is, to a certain extent, a reformatory institution?

A. It is that, and I think there should be a large measure of State supervision. I welcome it. If the State would take it out of private hands and make it public, I think some of us would be relieved after a good many years' service, and more or less gratefully.

By a Member of the Committee:

Q. Where did the suggestion come to you from that you should raise a like amount?

A. I think it was made in the Appropriation Committee. We went there and asked boldly for \$150,000 to begin work at Darlington.

Q. Wasn't that embodied in your bill?

A. It was embodied and added to the bill, I think. It was put in as a rider, and we submitted and went out and did it. You see this work is a State work; the children are sent to us by the judges.

By Mr. Brown:

Q. You receive no pupils except those sent by the courts?

A. That is all.

Q. You have heard these gentlemen express their opinions about the great need of the institutions of the State's appropriation to those institutions. Do you share that feeling?

A. Yes, I do, very strongly. I may say first of all as to State aid, it does seem to me a hardship that institutions which are purely charitable should be obliged to pay collateral inheritance tax.

Q. Assuming that these appropriations are proper, is it your thought that the Legislature would be justified in increasing the revenues of the Commonwealth by levying additional taxes, or by a more stringent enforcement of existing laws?

A. The purpose of taxation is the distribution of money and charity, and part of the work of the State undoubtedly is the care of the sick and poor and injured and defective classes.

Q. I am asking you now because I know of your large experience. Have you given any thought to the subject, for instance, of our State roads. There was a bill passed at the last Legislature at the request of the Governor for five million dollars for State roads, which was vetoed because there was not sufficient money to give to the institutions and do that work, too. Is not such a demand as that a reasonable one on the part of the people of the Commonwealth, and ought they not to be considered in the distribution of the State's money?

A. Yes, but should they not be based upon the principle that where the gift was so much the county and the individual should give so much in proportion?

Q. Assuming that there is not enough to give to these hospitals—ten million dollars were asked for at the last session, and five million for the road—do you think the

Legislature should levy sufficient money to pay for these things?

A. It is a very difficult question, because we have grown up under a system of self-help. So many of our institutions were based upon gifts and grants. The State has come to their aid later and that is a very difficult question; they have come only to supplement the individual grants and gifts. Now, the rule abroad is that nearly all the institutions are absolutely State institutions, and in the Western States nearly all the institutions are State institutions.

Q. You are a member of boards governing such institutions. Is it your thought that the State could do any better than you gentlemen are doing it?

A. I should doubt it, although I would be very glad to see a representative of the State—the State is represented on our board by the fact that three of the representatives are appointed by the Board of Judges, the City is supposed to be represented by two appointed by the Mayor, so that in that respect both the City and the State are represented on the board, and the others are represented by the contributors.

MR. JAMES NOLAN, representing St. Joseph's Hospital, Reading, Pa., called.

Mr. Nolan: There are one or two points which occurred in this morning's testimony which I wish to refer to, and one was that Mr. Brown had put the question to quite a number of people here as to what economies could be effected by the State buying the supplies instead of the hospitals or their management contracting them. I can not talk as a matter of course for the hospitals in general, but of my own in particular I am satisfied they can and do buy goods cheaper than the State can furnish them. The reason is obvious. There is a sympathetic feeling in the hearts of the store-keepers for the hospitals and other charitable institutions, and as a matter of fact I believe that in many cases they sell their goods to those institutions at cost and below, and sometimes almost to the extent of making them a donation. In that way I think a change to the State furnishing these goods would work a hardship, and I think it would be to the injury of the institutions themselves.

Now, in the matter of the need for more revenue, I am satisfied that the enforcement of the four mill tax rate in the proper way would bring a great deal more revenue to the State. I am almost sure that there is a very heavy percentage of that four mill tax that is not collected.

Q. How is that brought about?

A. It is brought about by people evading collection largely. There are people who come under my observation who buy bonds in other states and neglect to make a return.

Q. You mean they deliberately perjure themselves?

A. Yes, sir. They do not perjure themselves because they do not make any return.

Q. That would be another way of whipping the Devil around the stump?

A. That is about it. They will leave the assessor find out what he can in the court house as to what money they have and then he assesses the usual penalty and they escape scotfree on a great deal of their investment. Often lots of people the assessor does not reach and could not reach, and they purposely do not make any return. They are never called upon to do it. I think a strict enforcement of the four mill tax would bring an increased revenue to the State.

MR. JOHN T. LEWIS, JR., representing the Pennsylvania Hospital, called.

Mr. Lewis: I represent an institution that was established in 1851, and as we have never called upon the State for any moneys except at its foundation, two thousand pounds, and a few years afterwards two thousand pounds, that is all the money the Pennsylvania Hospital has ever received from either the State or the City, and all we are interested in is that when we are left contributions or legacies from our friends, those legacies are charged, of course, five per cent. collateral inheritance tax, and the hospital would be very much relieved if that could be taken off or the hospital relieved of paying that money.

By Mr. McNichol:

Q. That is similar to the claim of the Episcopal Hospital?

A. It is very much the same. In 1909 we received a legacy of over \$200,000. That made a payment of some \$10,000, and that is quite an onerous charge upon us. We have beds for nearly three hundred persons in the City Hospital, and we take care of 450 insane in West Philadelphia. The expenses of the hospital are something over \$400,000. I am sorry to say we do not always get through at the end of the year with any sort of a balance. Last year we were behind, and if anything can be done to relieve them of the trouble of the collateral inheritance tax, it would be very pleasant.

I should like to say another thing. A moment ago it was said here that there were married doctors and others in the hospital, under the ordinary term called colonization. There are no doctors living in the hospital except unmarried doctors, and they serve there for two years. They are young men who have just graduated from the

University or other medical colleges here, and they are received for two years and receive no pay. They are boarded and taken care of and they live there all the time. There are eight of those. There is one what we call a chief resident physician who receives a salary. There are one or two in the laboratory receive a salary, but other than that they do not. Of course, the nurses and all those people receive salaries.

Q. What is the length of time for which they serve?

A. Two years. They are elected every three months in turn and they eat there.

Q. They are all single men?

A. They are all single men. While it is not a condition that they should be single, it is a condition that they should live in the hospital, and the attending physicians, of course, are physicians of longer standing and they live at home and attend the hospital and the patients there, but they only come at certain hours in the day, or when they are sent for. There are some ten of those in the City Hospital and over in West Philadelphia there are——

Q. You have eight internes and how many——

A. Eight internes and one chief resident. None of them are married.

By Mr. Brown:

Q. You have never applied for State aid, have you?

A. We have never applied for State aid.

Q. Dr. Cattell read a paper here today, which appears to have been issued by your hospital.

A. I heard him read it. There was a paper issued some three or four years ago, two or three years ago, and I cannot say whether what he says is in it or not. I do not remember.

Q. If you have never applied for State aid, you would not know what was necessary for such an application, I presume?

A. No, we have never applied for State aid.

By Mr. McNichol:

Q. Those post-graduates or students there, are they residents of Pennsylvania?

A. There are no post-graduates; it is entirely a hospital.

Q. Well, the internes, or those who are taking care of the sick, are they residents of the State of Pennsylvania, or from outside of the State?

A. The internes?

Q. Yes.

A. They may be either. Most of them—they are nearly Pennsylvanians; very often the majority of them are Philadelphians. We have had them from outside of Pennsylvania. I think there is no one there now, though, I am not certain. In running over the names I am not certain. We have no post graduates. These men are all graduates.

Q. That is an extraordinary condition to have twenty-five or thirty men registered from a hospital?

A. No, they are orderlies who are there to assist the female nurses.

Q. It does not exist in any other institution outside of Blockley, in Philadelphia?

A. I do not know how many orderly assistants they have; they are for certain things the female nurses cannot attend to in a hospital.

Q. They certainly cannot attend to having their votes registered?

A. No, I think you will find, and if you wish I will give you——

Q. It is immaterial.

A. I have heard it before, it is not the first time I have heard it.

Q. It is something for you to look after?

A. No, I think I can say positively, I think I know how it is managed: I have been there a good many years myself.

By Mr. Brown:

Q. Have you an endowment fund—you have, of course?

A. We have an endowment fund.

Q. And that is the reason why you have not applied for State aid?

A. That is the reason why we have not applied for State aid.

Q. And your hospital is practically free, too?

A. It is entirely free. We have some rooms where persons who require certain conditions and medical attendance can have it, but I do not think they pay for what they get, I may say.

Q. The difference between you and the other hospitals asking for State aid is in the endowment?

A. I think it is on account of the endowment, yes. We would like to have more money, but they have never done it, and they do not want to do it. They would rather live on their own fat, if there is any fat.

Q. Are you connected with any other hospital?

A. No, sir.

Q. How much experience have you had in hospitals, how many years have you been connected with them?

A. About twenty-two years.

Q. Do you think the other hospitals could do as well as you are doing without State aid?

A. I am not prepared to say that. I do not know the conditions.

Q. It is a case of the individual after all?

A. That is all.

By Mr. McNichol:

Q. Will you have your secretary file with Mr. Brown some information in regard to the collateral inheritance tax?

A. Yes, sir.

MRS. A. C. LACEY, representing Old Ladies' Home, called.

Mrs. Lacey : I only have to say for our institution that it is non-sectarian ; we take in all denominations, or whether they have any denomination or not ; we draw the line simply at color. We existed eleven years without State aid, but it was very poor existence. In 1885 Governor Pattison gave us \$2,500 to pay off the second mortgage, which I myself paid off, although I was at that time secretary and am now treasurer of that institution, and have been all the years since it has been in existence. We have received about \$62,000 from the State, and I can safely guarantee that it has all been accounted for in the maintenance of our home, and without State aid we would be very materially crippled. Still, I suppose, by hard work we could probably get along without it, but it would be a back-bending expedition all the time. We have been very kindly taken care of by many people who have left us money. We have an endowment fund ; my books will show there probably \$70,000 ; I do not know exactly how much it is without looking it up, but we have always bid the auditor welcome ; he has had access to our books, and at any time the Legislature wants to send anybody to my books, if they will come to my house they are perfectly welcome to see how we dispose of the funds they have given us.

By Mr. Brown :

Q. What ages do you take in ?

A. They must be 65 when they come in, and we now have one hundred and fifty-five under our care. With them we have a corps of employes with a housekeeper and night nurse and helpers, I think, amounting to about twenty. There is no one paid who comes there to do any

work, excepting the doctor; we pay him because he has to be called very frequently to see old people who have reached sixty-five; they are not well, any of them, and he comes at any time. Other than that there is no officer paid, unless they would say that my pay of \$10.00 a year for my car expenses there to the home came under that head. I have been treasurer since 1894. We do not owe any money; we have no mortgage. The second mortgage, that money was gotten for, paid that off, and we have no debts on the institution. We have a good property, well taken care of, and we have this little endowment fund, not very much, but at the same time we manage to get along and our folks, I guess, are about as well taken care of as any charitable institution in the City. We never hear very many complaints. It is hard to bring together old people and make them assimilate. Last year we had \$10,000 and this year \$5,000, and I think if the Legislature looked into the books they would find that was all used in maintenance.

By Mr. McNichol:

Q. It did not cost you anything to secure that appropriation, did it?

A. Not one penny. I have always had the greatest deference paid me. The account goes in not later than the twelfth of the month. I wait because our institution is a small one, and I have received my money returned to me in thirty-six hours, and I have no complaint whatever to make. Henry F. Walton once presented our bill for us, and the gentleman who represents our district from Wisconsin, and we had no trouble. Once I went to the Committee and asked them and they gave us \$10,000 towards building an old building, not in the regular way, and they gave us \$10,000 and that we accounted for in a separate way to the Legislature. We would be very sadly crippled if we would lose the appropriation now.

DR. J. M. BALDY, representing Gynecean
Hospital, called.

Dr. Baldy: It seems almost like carrying coals to Newcastle to say anything more on the subject, and it seems to me, as a general proposition, that the information asked by the Committee is on two points, first, as to the advisability of keeping up the appropriations to the State charities, and, second, as to the best methods of doing it. I concede in answering the first, that it is a great moral question. There is no legal obligation on the State to educate its citizens; there is no legal obligation that it shall take care of its sick, but I cannot see the good of a sick or dead educated man or woman. It seems to me if it has a moral obligation to educate its citizens, that the State has a moral obligation to look after its sick and protect its well from infection from such as are sick.

There is a small coterie of men in the profession who are opposed to the appropriation. The vast bulk are almost a unit, the professional men and hospital managers are in favor of the system of appropriation. It has been said that hospital managers are not paying much attention to and are not managing the hospitals properly, and I have noted that about three-fourths of the gentlemen here are among the better class and busiest and most influential medical men in the city of Philadelphia, and that has been my experience for some twenty odd years; that is the class of men who manage the institutions. There can be no question whatever, that in the general statement it is perfectly true, that there is a most careful handling of State funds in all these institutions; there is a most careful accounting to a responsible Board, and those Boards do overlook—maybe they do have a superintendent who takes the details off their hands, but that superintendent and every other responsible servant under

them reports to them periodically and they know where the money goes and what it is spent for, and they know also that not a penny of it is spent in any way except for what it has been appropriated.

By Mr. Brown:

Q. You differ from Dr. Cattell?

A. Absolutely; flat-footedly. I have heard these rumors of graft and mismanagement for twenty years, and I have never seen any foundation for it. I have gone to Harrisburg for twenty years, and I have even had my friends in the Legislature refuse to dine with me, and I have yet to hear or know of a man among my friends who were lobbying for hospital appropriations say anything even approaching a hint, and I know most every prominent medical man in town intimately.

Q. What is your association throughout the State, Doctor?

A. Almost general. My practice takes me almost over the State.

Q. What is the opinion of these men as you go from place to place, in regard to appropriations?

A. Many of these institutions could not live and never could have been brought to the perfection they are today had it not been for the State's generosity. You have had a speaker, the last one, in which State aid has been absolutely necessary for the building of that institution and keeping it on the foundations which it has. Further than that, I venture to say—and I will make the statement well within the limits—that the State aid, if it were withdrawn today, from twenty-five to fifty per cent. of your hospitals would instantly go out of existence for lack of support.

Q. Are they all needed?

A. In the State itself generally, yes. There are some exceptions. In the larger cities I think there are too many hospitals. That is well indicated by the fact of the

number of beds that are vacant. That is a problem that has been tried to be dealt with by several gentlemen on the floor, an idea it is almost impossible to deal with. Amalgamation and association is very well theoretically, but you, gentlemen, are faced with the fact that here are a certain number of institutions, and these institutions have been established for various sundry reasons and to take care of different types and varieties of illness. Some of them are large and have teaching appliances; some of them are small and have no real teaching appliances, but as a matter of fact the physicians teach in all the hospitals so far as they are able to do it; they use very largely of their material for clinical material. I do not believe you can get medical men or get Boards of Managers to wipe out of existence certain types of institutions. Take the Wills Eye Hospital and Orthopedic Hospital as special hospitals; take the Gynecean Hospital for gynecological cases. Take the Children's Hospital for children's diseases, and I could go on and enumerate a dozen others, all representing different types, and I doubt very much whether you could get in any way, shape or form the gentlemen who have devoted their lives to building up these institutions, and by so doing educating the profession, not only of Philadelphia, but of the country and the world, in the advanced practices of their specialties; I doubt if you could get them to consider wiping out the work of a lifetime by consolidating with some institution in which their individuality would be wiped out. When they started there was a great necessity for such work in the community in the teaching of the profession, not only of this City, but of the country and of the world. Many of these institutions, take the Gynecean Hospital, for instance, when that hospital was instituted there was no special hospital in this State for special gynecean work and the mortality was from 30 to 50 per cent. The Gynecean Hospital was the first, and was quickly followed by other hospitals of a like type,

the specialists pushed their work and developed it, with the result that with the aid of the State the mortality is down to 2 or 3 per cent., and not only in that institution but in almost all other institutions in the State. In other words, they have been the means in fifteen or twenty years of developing a branch of surgery which is the most important of all the branches of surgery, and have been the means of educating the profession to a standard which was never dreamed of as a possibility, and never could have been done without State aid, and those institutions today largely are still needed for the greater and advanced work. You have heard Mr. Walton speak of the bad cases sent in to us from the country, and these institutions are needed for just that class of cases. The general practitioner can handle the majority of cases, but they come to a class of cases that they dare not touch, that they want to come to the hands of men who are experts in institutions that are devoted to that, and these institutions, all of them, have their necessity and their use in those directions.

As a matter of fact, that brings me to another point, that the education that the State aid has given by the development of the different institutions throughout the whole country. Fifteen or twenty years ago it was a rare surgeon in the State of Pennsylvania who could even do an average amount of modern surgery. Today there is not a community that has not an expert, or two or three experts, all due to the education furnished by institutions which were put on their feet and allowed to develop their work, and largely, if not almost altogether, by State aid, and it would have taken a hundred years to have accomplished what was accomplished in fifteen or twenty years had the State not stepped in with its assistance. Many of these institutions will go out of existence if the State aid is withdrawn, and I take it that the community is warranted in taking care of its sick by educating its physicians, as it is in its general education.

Here is a little squib I wish to read, because it brings out four things the State has developed and done, and each and every one of them is a warrant for the aid the State has appropriated:

“By its appropriations to hospitals Pennsylvania has aided materially in placing in all regions prompt medical and surgical relief at the disposal of those requiring it. Rare now is the spectacle of a crushed and dying man being carried for miles in a jostling wagon or freight car, in order to reach a place where an appropriate operation could be performed or the merciful ease preceding the longed-for and inevitable death obtained. Good nursing, good physicians and surgeons and good hospital accommodations are now found in nearly all centers of population in Pennsylvania. The rich as well as the poor receive benefit from this improvement in the local appliances for meeting medical emergencies. The local practitioners of medicine have, with greater opportunity for seeing unusual cases, become more advanced thinkers and more experienced operators and prescribers. Even laymen realize the change and expect the local doctor to be familiar with the improvements and advances of modern medical science. The charitably inclined have been increased in numbers and greatly broadened in view by association with hospital matters in their own towns.”

By Mr. Brown:

Q. From your observation and experience, has there been any improper use made of the hospital service? I mean, that due to State aid, by the physicians themselves?

A. Never, that I know of.

Q. I mean, have they used those institutions for the promotion of their own personal interests.

A. Never.

Q. Directly or indirectly?

A. I do not believe they have done it directly or indirectly. I have known physicians to do this; take a

town, for instance, where there is a quarrel. The doctors go out and form another hospital; that, you might say, was unnecessary, but as for using the money for improper purposes after they have gotten it, I do not know of a single instance of my own personal experience, nor have I ever had it intimated to me.

Q. Do they take these things and use them for their own personal use?

A. Almost every physician has a private room. That is an aid to the State. Those patients get the benefit of that advancement in that hospital and the skilled work that can be given to them. They pay more in dollars and cents than would doubly support them. They bring money into the institution, and where those rooms have been used in that way it gives the institution an additional income and helps to pay for the free wards.

Q. What is the reputation of the physicians for using these free wards; do they use them to further their own interests?

A. If any of them did and it was known to the Board, the Board would report them.

Q. Has the medical profession ever considered it from that point of view?

A. The medical profession would not countenance any such man.

Q. Have any charges ever been made.

A. Whisperings have not been considered sufficient to discuss.

Q. I mean these doctors prominently connected with our hospitals; have they been charged with it?

A. None that I know of. I have heard whispers under the breath in one or two cases over a course of twenty years. It is absolutely absurd to say that because there may be one case, or a dozen cases, that the general proposition is one of rottenness.

Q. So far as your experience has gone, the whole thing is clean?

A. I should say the State money has been absolutely and cleanly spent to a penny, that it goes back to the very purpose for which it is appropriated.

ADJOURNED until Friday, February 4, 1910, at 11.00 A. M.

Public meeting of the Committee held at Room 496, City Hall, Philadelphia, Friday, February 4, 1910, at 11 o'clock A. M.

Present: Hon. James P. McNichol, Chairman; Gabriel H. Moyer, Vice Chairman and Secretary; Wm. C. Sproul; William H. Keyser; James F. Woodward; David Hunter, Jr., of the Committee; Francis Shunk Brown, Esq., Counsel.

THEODORE M. ETTING, ESQ., Children's Aid Society, called.

Mr. Etting: Mr. Chairman and Gentlemen: I would like to say a few words as to the general purposes of the Children's Aid Society, in order that the Committee may be fully informed as to that subject. Our work is limited to a class of children who but for our assistance would become a direct charge upon the State, and would, we think, almost invariably drift into the criminal classes. Our assistance is rendered to foundlings, to dependent orphans, children who, through the cruelty of parents are having their chances in life blighted, or to children who were abandoned by their parents, and in some instances through our intervention to the help of juvenile delinquents, all of whom are removed from the immediate surroundings with which they are confronted to various homes scattered through eastern Pennsylvania. We operate through 20 counties. The furthest county west at the present time is Huntington, although I believe we have had and have at the present time applications as far west as Blair. The same work is in a general way done for Western Pennsylvania by a society of the same kind having its headquarters in Pittsburgh. We have been working since 1882 or 1883. We have during that time expended about \$875,000, and

in the same time we have had about \$175,000 from the State of Pennsylvania.

Our system of operation is this, that we have homes selected in the various counties through rigid investigation, and the children as fast as they can without undue expense be transported to those homes, are sent there and are treated just as other children are in that locality. They are not allowed to be worked in those homes to their own detriment. That is to say, the person with whom they are boarded (in some instances they are kept without board) cannot utilize their services in any way so as to deprive them of the advantages of a public school education. These children are all compelled to go to the public schools, and we receive constant reports from the superintendent of the schools as to the progress they are making. They dress like other children. They have no badge put upon them which prevents them from having a fair chance in life, and their environment is changed from that which they were formerly surrounded with to one that gives them as fair a chance as any other boy in that locality.

The society is absolutely non-sectarian and the only endeavor in that respect which is made is this, that the child is placed in a home where the religious teaching is that under which the child was born. We get in every instance, at intervals of time, reports from the teacher, I mean the religious teacher of the child, so that we are kept in touch with both phases of the situation, the progress the child is making in school and in religious development. Then from time to time we visit the children through our paid inspectors. In a general way that is the scope of the work in which we are engaged.

Circumstances have within the last two or three years singularly favored development, I am sorry to say, at an expense which has compelled us to spend at least a certain portion of money which we had laid by. The situation is this. There is situated at 1506 Arch street an office which is known to all of the poor of Philadelphia coming within

the class of cases of which I am speaking, a woman who has been deserted by her husband, a child left a charge upon the community, or where anyone knows of cruelty that is practiced upon a child, or various cases that fall within this description. There is an office which is practically not only our office but which is a clearing house for cases of this kind. That is technically known as the Children's Bureau. It is maintained at the cost of three societies. One is the Estate of Henry Seibert, who left a considerable sum of money, I think about \$1,000,000 or more, which his trustees are devoting to the establishment of a village in one of the neighboring counties in which children of this class are taught trades. That constitutes one factor in this Bureau. Another factor is the Society for Prevention of Cruelty to Children. The third is the Children's Aid Society. Every case of this kind can be investigated at that bureau. It is in touch with all hospitals, and with all of the child saving work in eastern Pennsylvania. If the child, after full investigation, is deemed to be a child that is worthy of this assistance, then the next step is to determine by some personal investigation of the child itself how we can best utilize the advantages which are within the control of these societies. We have, in order to make this effective, a child's shelter which is situated on Fifteenth street near Pine, in an office adjoining the building of the Society for the Prevention of Cruelty to Children, which accommodates a certain number of children. Then we have temporary shelters in selected homes, and then we have The Seibert Institution. In that way during a period of 30 or 60 days we can get some notion of the child. We can get some notion of its healthfulness and its possibilities, and we have the child inspected by a doctor. If there is any trouble about its teeth affecting its health, we have that corrected. At the end of that time the child is either sent to the Children's Aid Society, and in that event is sent to one of these homes scattered through the eastern part of the State, or if it is not fit for that we send it to a hospital if that is re-

quired, or if necessary, and if it is a juvenile delinquent of a very extreme class we send it to an institution of that nature, but in a general way our effort is to avoid as far as possible in the case of small children, institutions. I say this in no spirit of hostility to any existing institution for the betterment of children, because we believe they have their usefulness, but in a general way we believe that a juvenile delinquent, or a child who, through misfortune, and not through its own fault, has been brought into this condition, ought to have just as fair a chance of moral training as your child or mine, and we think it ought not to be condemned and thrown amongst a class of children, many of whom are worse than itself, and thus exposed to that kind of influence. We think it ought to be given a chance in another environment, and the children grow up, as I say, in these homes. The success of the endeavor, which has now been tested for some 30 odd years of experience or thereabout, has been remarkable.

As an illustration (I am not at liberty to give names), but such is the reputation which the society has made that within the last eight or ten years we have had applications of a nature that I will indicate. For example, a professor in one of the leading universities in this country, a university that has a world-wide reputation, lost a child. His home was so saddened by the want of child life that he desired to have some child, and preferred to take a child so as to associate charity with it. He sent to us, and that child will now grow up under circumstances and conditions that may make any possibility in life open to it. That is only one of many instances, which I think it would be in the power of our society to furnish.

I would like to say something in connection with this Children's Bureau which we have recently established here. I am informed by persons who were present (I was not present myself) at a meeting held in Washington, before the end of Mr. Roosevelt's administration, of workers from all parts of the country interested in child work, and which

met at the White House, that the system that we have established in Philadelphia of a clearing house which is conducted, as I told you, at 1506 Arch street, was regarded as the greatest advance in that kind of work that is in existence anywhere in the United States.

So much for the purposes and enlargement which has marked the progress of this society. We have generally 1,500 to 1,800 children in our care. I want to say a word on the general subject which is occupying your attention and care, and which is most interesting, that is, the extent to which aid should be given by the State to undertakings of a private nature. With great respect to your opinion, and with great deference in view of my own limited knowledge of the subject, I want to give you a thought which is present in my mind, because I have thought much about it, and if it be worth anything it is at your service. My own view is that the State of Pennsylvania has no right whatever to tax its corporations or private citizens for any purpose other than one which the State ought to undertake directly, but that if you bring any particular charity within the line of cases which the State ought itself to take care of, then you are far better off if you can utilize private assistance and the endeavors of private people to supplement the State work. By way of illustration I take our own society, and I hope that in taking our own society as a text I am not pleading for its benefit alone. Its work the State of Pennsylvania ought to undertake without the intervention of any society, were it not for the fact that I think it can be readily demonstrated to your satisfaction that if the State were directly to undertake this work, the work would be conducted at much greater expense, and probably not so well as it is when conducted through private agencies. I mean to say that my own interest in this work has largely grown out of the very noble administration of the work which I see conducted principally by woman. It is essentially the kind of work that a woman is much better fitted for than a man. Our board, which at

present has about 18 members, is mainly composed of women. We have four or five men on the board, who take care of the business end of the administration, and who are there to advise the ladies in connection with that work, but it is a kind of work that particularly appeals to feminine instinct, and if in connection with that you utilize men in different departments, then you do it much better than if you confide the entire work to men. If this society did not exist, these children, instead of going, I think perhaps to the extent of 80 per cent., into the useful classes and filling your work shops and your homes, would drift into the criminal classes almost invariably. They come to us with bad blood in their veins. They are illegitimate offspring, or come of unhappy marriages, desertion on the part of the husband, generally accompanied by drink, or else they come as children who have committed petty crimes. Those children would first be a charge upon their respective communities, and in the second place by heredity, if it were not for the change of environment, they would almost certainly eventually fill your jails, so that, in as much as the advance of thought has imposed upon the State a duty of this nature, the State must of necessity take care of them. It must take care of them either as youths and give them the chance of their life-time, or it must take care of them as criminals when they grow into manhood or womanhood. Therefore I say that this class of cases presents a work which the State ought to take upon itself directly, were it not for the fact that through the intervention of individuals in all large communities you can obtain very material assistance in money, very much better assistance through private efforts than you could through any system of government administration. When you come to administer the State's assistance then my thought is that you must first select not necessarily cases in which the work is done directly by the State, because while I have not the slightest intention of saying a word in disparagement of the way in which State work is undertaken,

it may easily be that there are classes of cases in which the State has not directly interested itself which are quite as meritorious and which ought quite as much to be a charge upon the State as the cases in whose favor the State has already intervened.

For example, take the case of these children as opposed to the insane. If you could imagine a condition of things under which it would be necessary for the State to so husband its resources as to say that it would give to neither class, that they must both go, or else that one or the other must go, the economy of life, the protection of the State from invasion, or the husbanding of its resources for work, should all be in favor of the child. I do not wish you to withhold your bounty from the old or from the insane, but if you had to choose between the two, as a practical question, as Judge Johnson said to me some time ago, the last time I appeared before the State Board of Charities, when I said, "The great advantage that this society has in coming before you is its hopefulness," and he said, "Yes, it is the only hopeful one. The rest is simply a question in my judgment of amelioration, but here you have a chance of absolute cure in the great majority of cases." Therefore my thought is that you should not ignore existing institutions, and the necessity of giving them aid, but if they come within the class whose work the State ought to do directly, of course, you ought to take care in giving them assistance that the assistance which the State gives supplements private efforts. You never ought to give them so much money as to deter people from contributing, or allow them to sit quietly by and trust to the State. You ought to compel the people in all instances to help themselves.

By Mr. Brown:

Q. What percentage of effort do you think private parties should make in proportion to the contribution of the State?

A. To answer that would require someone who had studied the whole subject better than I have. Mr. Carnegie,

who has studied this subject very carefully. I think requires half. The State ought to require much more than half. I can only say that in our own case that it cost us \$100,000 in round numbers to maintain this work.

Q. You get \$30,000 from the State?

A. We get \$15,000 a year from the State, but I want to be frank with you. That is not all that we get. We get some assistance through the County Commissioners, the exact amount of which I cannot tell you, but generally it is about \$1.50 a week for each child. I think in some cases a little more and in some cases a little less, whereas I think we calculate it costs us about \$2.50 for each child. In other words, we have no child that is not absolutely maintained through the help of private effort.

Q. What is your limitation as to age?

A. We have no limitation as to age.

Q. You do not take them beyond 21?

A. No. I mean no limitation of age less than that of majority.

Q. Do you take them as early as four years?

A. Yes, sir.

Q. Is there any other institution in Philadelphia doing similar work?

A. No, sir, not that I know of. I think I am correct in that.

Q. Do the societies in Pittsburgh, Meadville, Greensburg and Chambersburg do work similar to this?

A. The society in Pittsburgh does. There are a number of county societies that do, so far as their means and opportunities exist.

Q. You have spoken about supervision of these children after they leave your care?

A. While they are in our care.

Q. When you place these children out in homes you have spoken of supervision. What has been your experience, if any, as to complaints of ill-treatment of the

children, or anything that would be derogatory to their welfare?

A. I could not give you absolute figures. They are very rare—so rare that I doubt if we have ever tabulated them.

Q. You applied to the State Board of Charities for an appropriation of \$40,000 for two years, \$20,000 a year?

A. Yes, sir.

Q. They cut that down to \$35,000. What reason was given you for that reduction, if any? Why did they cut your annual appropriation from \$20,000 to \$17,500?

A. They said they had to endeavor to bring their recommendation within the amount of money available.

Q. It was a case of money altogether, and not a case of merit?

A. Not at all.

By Mr. McNichol:

Q. How much salary do you pay out yearly to officers?

A. We have a superintendent.

Q. What is the total amount you pay yearly in salaries?

A. This gentleman who is now our superintendent we selected after going all over the county. We brought him here from the West, and the society as a society has never paid a penny of his salary. It has been paid by friends of the society who guarantee his salary.

Q. I understand you have expended in 30 years \$875,000?

A. Yes.

Q. Of which the State gave you how much?

A. \$139,000 is the correct figure.

Q. Then in point of fact the total amount received from private sources was in the neighborhood of \$740,000?

A. No, sir, it does not represent so much as that, because we have received through the Poor Boards of these various counties some money which could be worked out.

Q. Could you give us approximately about how much?

A. In no instance does the sum that we get from the Poor Board pay. It is not enough to pay for the child.

Q. I want to get just what has been the real private charity you have received during those years?

A. I will see that you have that.

Q. Is it less than \$15,000 a year. I am talking about private assistance you receive outside of the State and the Poor Boards?

A. No, I think it would greatly exceed that.

Q. Say \$500,000 in 30 years?

A. Yes, from private sources. I think so.

Q. That is rather a limited amount of charity in a great city like this from the potential men we have around town, do you not think?

A. It is so. I have no desire to say anything derogatory to private charity, because I think there is a great deal of it here, but if you will look over the list of persons who give to private charities, apart from sectarian charity, you will see the same names repeated over and over again.

Q. We do not want to say anything slightly about those people, but if there is such a deficiency in the giving of this money for charitable purposes, do you not think the Legislature should be given some assistance in devising a plan by which they can be made to give what they should give?

A. I think so, if you can devise such a plan.

Q. If we call on gentlemen like you, who are familiar with these conditions, to give the information you desire, we may be able at the next session of the Legislature to devise some plan.

By Mr. Brown:

Q. That is, assuming there is an obligation on our people to take care of their helpless poor, whether or not if that is not voluntarily done it should not be done by

the Legislature in the levying of a fair revenue to produce the results?

A. I think it should.

By Mr. McNichol:

Q. In your experience of 30 years you do not hesitate a moment to say the State should take care of her poor, more especially children?

A. Not for a instant. I think there is necessarily room for improvement, as will be found in the study of all conditions. I think there is room for improvement in the administration, as to selecting between something Mr. Brown is interested in and something I am interested in, but after considering this question of State aid very carefully I give my opinion for what it may be worth, that I should be extremely sorry to see State aid withheld from proper subjects for bounty.

Q. You are also extremely interested in seeing those people who have been shirking their responsibilities in that direction forced to contribute?

A. Undoubtedly.

By Mr. Brown:

Q. Has your society made any investigation as to the preventive usefulness of this society? In other words, by its activity to what extent it has relieved hospitals, asylums and so forth, of boys and girls who would naturally become charges if it had not been for the efforts of your society?

A. In almost every instance they would be.

Q. Your charges would ultimately be driven or would drift into those institutions?

A. Undoubtedly.

Q. The State would have to take care of them in any event?

A. Undoubtedly.

Q. At an enlarged expense, besides losing their usefulness as good citizens?

A. Undoubtedly. We get some instances to which I might refer. Children come to us through the courts. We get what are called support orders, but a support order is rarely worth more than 25 to 50 per cent. of the order as given, because the person upon whom the support order is made loses his job, or is a worthless fellow generally, and shirks it.

Q. Has your investigation shown to what extent these boys and girls develop and get on as citizens?

A. Since I have been president of the society there has been no table of that sort compiled. I do not know what opportunity we would have of compiling it, but Mrs. James Biddle, who was my predecessor as president of this society, and who understood this work far better than I do and far better, I think, than any person of my acquaintance, gave me the average of 85 per cent.

Q. 85 per cent. developed to the good?

A. Yes, sir.

Q. And 15 to the bad?

A. Yes.

Q. Of the 15 to the bad have you any idea as to the very bad, I mean those that ultimately go into the criminal class?

A. I have not. I do not know really where Mrs. James Biddle got her figures from.

Q. It would be very interesting from a sociological point to have those statistics.

A. Of course, it is very difficult to keep tabs. The children are passing in and out of our care, and the period when a woman goes to the bad is so hard to fix. We lose sight of them. We have had numerous successes and have sent some people to the Legislature.

Q. You have had considerable experience in these institutions. What is your thought as to the standard of efficiency of these institutions as compared with those in the conduct of ordinary human affairs, business matters?

A. I do not know anything about institutions other than this. I am very much more interested in questions of the disposition of the money, I mean to say in the general thought of what is best for the State, than I am about these institutions.

By a Member of the Committee:

Q. The Commission would like to know just what the salary list is of this society. Give it to us in total.

A. The total is \$11,000.32 out of a total batch of \$95,339.

Q. How is the batch made up?

A. Board paid out for children, \$51,000; clothing, \$13,000; traveling expenses and transportation of children in placing them, \$7,000. We have no building to maintain. The other items are rent, light and heat. It ought to be stated in regard to this salary, that the fact that the society cares for 1,400 or 1,500 children on this plan is only possible because we have a corps of 12 or 14 trained agents who travel through about 40 counties of eastern Pennsylvania, finding these homes and selecting them most carefully. Mr. Brown inquired as to complaints. Our safeguard is that every home, before a child goes in it, is seen by a trained agent who goes all over the situation and makes out a report. That is filed in the office in writing. This has previously been covered by an application blank and four references from reputable citizens of that county. The economy of the plan is that we do spend something for salaries. If an examination is made by experts of the placing out work for children the test of efficiency is, do they have a corps of trained agents to make the plan efficient? There ought to be a law prohibiting the placing of children in family homes except by persons who are making a special study of it. In other words, it should not be carelessly done.

Q. How many trained agents have you?

A. Fourteen.

Q. What compensation do they receive?

A. An average of \$35 a month and traveling expenses, up to \$50. It is not enough, but all we are able to pay at the present time.

By Mr. McNichol:

Q. What is the membership of your society?

A. There are about 1,200 contributors, and they give a total of about \$17,000 or \$18,000 a year.

Q. Out of the 1,200 you get \$17,000 a year?

A. Seventeen thousand dollars a year. Then we get annually money from other sources. For example, we got \$7,000 last year from a fair that was held for our benefit. Then, so far as our experience goes, we can count on about \$7,000 a year from legacies. We have never been able to husband our legacies. We spend them as they come. It is the only way we can live. We do not like to do it.

By Mr. Brown:

Q. Have you made any calculation as to how much money would be required to allow this society to develop into the greatest efficiency?

A. No.

Q. You get \$35,000 from the State in two years, \$17,500 a year. How much could you use a year?

A. I think Mr. Brown has raised a very interesting question. We have not yet covered all counties in Pennsylvania. We only organized in Lebanon a week or two ago. Country counties are asking us to organize this work. I think the Commission would be interested to know that we have covered eight or nine new counties in the past two years, and are trying to develop the principle of self-support in every one of those counties. A gentleman in Williamsport has contributed several hundred dollars to get the work started there. They are raising \$3,000 in Williamsport to help to get the thing started there. We feel very strongly that people who are able to contribute ought to be compelled to first. State aid should be an

encouragement and a supplement to private charity. I think an analysis of our report, which we shall be very glad to submit, will show interesting things on that score. We collected last year \$6,000 from parents in support of their children. We try to be very careful on that point.

Q. You collected from parents of children?

A. From parents of children in our care.

Q. What kind of parents were they?

A. They are men who have in many instances lost their wives by death, whose wages are \$8 or \$10 a week, who cannot get a housekeeper and maintain a home, and who have one or two children. They do not want to give up the children. They come to us. They are not able to pay for full support but pay \$1.50 or \$1.75, and sometimes only \$1 a week. It costs us about \$2.50.

Q. They are children of what type of men?

A. Men who are working as day laborers.

Q. What did you say the wages of a day laborer were?

A. It is not as much as that in some instances, \$7, \$8 and \$9 a week. We study every case, go over it with the man in a sympathetic manner, to see what he can do. I am speaking of a well disposed man who really wants to keep his children. We go over the case carefully and sympathetically to see what we can do, and we do not make the children a partial charge on charity unless we are sure that is the thing to do. In addition to that they have court cases in which a judge makes an order against a man who is able to contribute in the judgment of the court. Those cases are committed under order of court. Those orders are almost never paid in full, because when a man is in court and an order is made he is not usually a very hopeful subject. Our figures have been worked out. It runs several thousand dollars every year short. Private charity has to supplement that. An analysis of our figures would show that we try to put the support on the parents or relatives when there are any. The local Poor Boards in cases of almshouses children pay \$1.75 a week. The

other \$.75 comes out of our general fund, so this appropriation is distributed over 25 or 30 counties. It is not a Philadelphia matter. While I am on that point, I believe that a reform in this direction would indicate that the appropriation should cover a larger area. In other words, the children's aid societies at Franklin County, Westmoreland County, and at Meadville, referring to what you said a week ago about the possibility of consolidation, should be asked to join the Pittsburgh headquarters, which federates 25 counties out there. The counties at this end should come in the eastern society of Pennsylvania, and then the Legislature and the State Board of Charities will know exactly whom they are to hold responsible for the placing out work of children in this State.

Q. What would you say to putting the institution under the supervision of the State Board of Charities with the right to employ just such persons as you have?

A. That is done in Indiana.

Q. Would not that be a more business-like way of conducting a matter of that kind?

A. It is a matter well worthy of consideration. The Chairman will recall this was up at the last session of the Legislature, and I think it is a matter very well worthy of consideration, how there might be more concentration and placing of responsibility on a small number of agents instead of creating a large number of new ones.

By a Member of the Committee :

Q. Do you think that would discourage private charity?

A. In Indiana private charities go on and do another class of work, adapt themselves to changed conditions.

Q. In harmony with the State?

A. In harmony with the State.

Q. How many dependent children have you?

A. 1481 on the first day of February.

By Mr. McNichol :

Q. In eleven counties?

A. In the eastern district.

Q. How many in Philadelphia?

A. I suppose about two thirds of the whole number. We are organizing this work now in the other counties.

By a Member of the Committee:

Q. In how many counties is this work organized?

A. 21 or 22 at the present time is the number for whom we actually have children. Blair County has recently applied. The whole Juniata Valley district is now included in our society. We are trying to spend the money in an economical way by drawing on local resources. I can only say I think I myself sent out 14,000 or 15,000 or perhaps 20,000 appeals a year, which I sign with my own name, after most careful selection of neighborhoods, to get aid. It is pretty difficult to get any more money than we receive. Several thousand letters were sent out to business men of the city telling them what we had in the way of State aid, putting the problem before them. We wanted to get support. The State appropriation did not cover it. We try to be very frank about that and educate our contributors.

By Mr. McNichol:

Q. The trouble is that too many independent organizations are embarked in the same mission.

A. That is one reason we tried consolidation.

By Mr. Brown:

Q. Has any reason been given to you why the philanthropists of our district should not appreciate the importance of an institution like this, for the purpose you have indicated?

A. I do not know of any. We have been in successful operation since 1883 and can show most hopeful results. It would be a matter of great gratification if any of you gentlemen went to 1506 Arch street and saw exactly what the system is there, how carefully every child is cared for and his or her case opened to inquiry.

By Mr. McNichol:

Q. If we had fewer coming out parties and things of this kind and more attention to charity, there would be much more efficient results?

A. I quite agree with you. There is one thing I think ought to be mentioned at this point. Our society and the western society of the same nature would welcome a movement on the part of the State Board of Charities or the Legislature to fix a high standard, below which no society that receives children is allowed to fall, to know that there is stricter supervision and stricter accounting on the part of every institution that places out children, setting a standard below which State aid would not be given. There is an opportunity for the State to improve the efficiency of the agencies by making that condition, saying to them, "You must raise a certain amount from private sources or we cannot give you this donation." That would put a spur to the local community. They would see, as some philanthropists have done, in giving large benefactions. I commend that thought to you for what it is worth.

Q. Will you have that thought boiled down to a short brief and give it to us?

A. Yes.

SAMUEL M. CLEMENT, JR., Temple College, called.

Mr. Clement: I presume you gentlemen sitting here, constituting the Legislative Commission, are after knowledge and light on the general subject of the State's revenues, how they can be raised, and how applied after they are raised, and in that connection I would like to call your attention to an institution of Pennsylvania which has never been recognized by the legislative powers. There was established about 25 years ago in Philadelphia a brain factory. A big, broad man, who was a humanitarian in every sense of the word, conceived the idea that the greatest asset that this Nation had or this Commonwealth had, was the young men and young women who were growing up into manhood and womanhood, and his thought was that he could not do a better thing for the Commonwealth than to start a series of educational courses for the young women and young men of this Commonwealth. As I say, he started 25 years ago with seven men in his own study. He has worked from that time to this, until now he has 3,600 students. He has 252 instructors. He has grown from no asset to assets amounting to almost \$1,000,000 in property, and all this has been the work of one big, broad man in Philadelphia, and not one dollar of aid has he ever received from the Commonwealth of Pennsylvania. The young women and young men that he undertakes to educate are the young men and women who, by reason of their pecuniary condition, have been unable to finish their courses in the public schools or in the colleges, young men and young women who are forced by the necessity of their families to go out and earn a living for their old mothers and fathers, for brothers and sisters. They get along to be 17, 18 or 19 years of age, and they realize that in this age of competition their chances are not as good as those

of young women and men who have been well educated, so they come to Dr. Conwell and pay to him what they can afford in order that they shall not be objects of charity, and they are taught not only the elementary rudiments of education, but they are taught the higher arts and sciences. We have a medical school and a law school. We have a dental school. We have a domestic science school. In fact, we have every branch that can be conceived for the betterment of the condition of the young men and young women of this City.

It occurs to me that the great State of Pennsylvania should realize that this is an asset that they can well afford to invest in. There is not anything that will perpetuate the great name of Pennsylvania better than to educate young men and young women so they can go out and be more useful to themselves and to their Commonwealth. It seems to me that it would be very appropriate for this Commission to go back and to report to the House of Assembly that if we have not revenue enough to encourage the education of the young men and young women in Pennsylvania, then we should raise the revenue. If necessary we should put a tax upon gas companies in Pennsylvania. We should put a tax upon water power companies in Pennsylvania. We should make corporations that receive special privileges pay for them, in order that the State might have money enough to educate the young men and women of this State. We might put a few more mills on the brewers and a few more mills on the distillers and so on. We could very well afford, all of us, to contribute of our earnings for this very worthy purpose. We might even make the lawyers pay a certain percentage of their earnings to the State for the privilege of practicing here, in order that they might help some poor brother who has not money enough to be educated to be a lawyer.

I call your attention to these facts because the man who dropped the acorn 25 years ago from which has sprung

this magnificent oak, is to-day on his sick-bed and has been for many weeks. His time has almost worked out. He has given his time and his money until he is almost exhausted. The president of this university himself, considering the money that he has given and the interest on that money in the last 25 years, has given to this university himself \$1,000,000. He has spent one-half his time in the last 25 years on sleeping cars, going about in this great United States lecturing to raise money for this university. It is hard to understand in these selfish days how a man could be willing to give up everything in life for that magnificent principle, but he has. I heard him say before the Board of Directors not long ago, "Gentlemen, I want to say sincerely that if I could lay down my life to-day, and by laying down my life I should insure the perpetuation of this magnificent work for the young men and young women of this Commonwealth, I would be willing to die to-day," and I believe every word of it.

By Mr. Brown:

Q. What is the difference between the position of Temple University and the University of Pennsylvania, in your mind, as respects an appropriation from the State?

A. With respect to an appropriation from the State, I would say that the University of Pennsylvania has no greater claim upon the revenues of the State of Pennsylvania than has the Temple University. I want to say, with great respect to the University of Pennsylvania, because I graduated there myself in 1897, that they do good work, but as regards the poor people of this Commonwealth their usefulness is infinitesimal as compared with the great work of Temple University, and the Temple University is as much entitled to the taxpayers' money for their wonderful work as is the University of Pennsylvania, or the State College at Bellefontaine, or the Western University in Allegheny.

Q. What restrictions, if any, do you place upon admission to Temple University?

A. We place no restriction, excepting that the young man or young woman who applies there must be of good moral character.

Q. Earnest and honest, I suppose?

A. We want to encourage industry and thrift, and we care not whether it is Jew or Gentile. We care not for their creed or their race or their politics. We ask them to go there and come within the influence of that magnificent environment, and we are sure that they will go out a credit to their university and to their State. Among other things that they are taught there is a reverence for their State, respect for the officials of their State. They are taught that the great Commonwealth of Pennsylvania is not a bad place, but it is a good Commonwealth. They are taught that the City of Philadelphia is not a sunken city, but they are taught that Philadelphia is one of the most magnificent municipalities in this great country, and when the boys and girls leave Temple University, they leave it with great respect and reverence for their City and their State.

Q. What has been the outcome or result of the activity of Temple University?

A. The result has been this: That in 25 years we have graduated 60,000 young men and young women.

Q. In what different branches?

A. In all the branches, from an elementary education up to doctors of philosophy, ministers of the gospel, doctors of medicine, dentists and lawyers. There is not any branch you can think of that we have not, and I want to tell you that of the young men who have graduated from Temple University in medicine, but one man in the nine years the medical school has been in operation, has failed to pass the State Board examination, and I want to know if there is another medical school in all these United States that has a higher average than that.

Q. Why have you not had State aid?

A. We have not had State aid because Dr. Conwell is

one of those men that would rather go on and work until he died in the cause than go before the Legislature and assert his rights. He is a modest man. He is a man that is unwilling to force his claims, very much to the detriment of the University.

Q. Laying aside the personality of the founder, do you consider the institution would have been more useful if it had during all these years received State aid?

A. That is a question impossible to answer. I take it upon the same theory that a man who has earned \$1,000 and spent \$500 for charity would have done better if he had had an income of \$10,000. Then, perhaps, he might have spent \$5,000 for charity. It all depends on conditions. It is absolutely impossible to take a retrospective view and answer a question of that kind satisfactorily, I think.

Q. Are there possibilities for usefulness of this institution beyond that which they have been able to satisfy?

A. Yes. We have to-day about 3,600 students. We have a magnificent property that we have bought from our collections, at Broad and Brown, and we have applications for the education for at least 10,000 young men and young women a year.

Q. Why do they not go to other institutions?

A. Where are they?

Q. Are they of sufficient means to go to the University of Pennsylvania?

A. They are not; because the young men and young women who go to our university work during the day to support their families, and we educate them at night. If you know of any other university where they do like work we would be glad to send them 3,000 students a year.

Q. How do results from your institution compare with results from other institutions?

A. I would refer you to the State Board of Law Examiners to find out our average there. It is as high as any

law school in the country, and our medical school is higher than any other medical school.

Q. Do your other departments keep apace?

A. Absolutely. We take young children when they are hardly able to walk, in the kindergarten, from poor families who cannot afford to educate and keep them at home. When the mothers go out working all day, we keep the little ones in there, care for them in the kindergarten and nursery, and try to help their mothers in their education and in a moral sense.

By a Member of the Committee:

Q. Coming back to the question of raising revenue, what would you say as to taxing manufacturing corporations?

A. I would say this, that if it is necessary, and revenue cannot be raised in any other way, I would say tax manufacturing industries.. First, I would exhaust all other means of taxation, because the theory of not taxing manufacturing companies is because we want to encourage industries of this kind in this Commonwealth, but that was the old theory, and I think now that the manufacturing industries are developed the case is changed. It is something like the tariff. There was a time when it was necessary for us to have a high protective tariff to build up weak industries. Those weak industries have developed into gigantic trusts. They do not need any more protection, and we should remove the tariff. The same principle could be applied to manufacturing industries. No doubt, when the framers of the Constitution said manufacturing corporations should not be taxed, it was to encourage those industries, but do they need that encouragement now? Take the manufacturing industries of this Commonwealth and you will find that they are wonderfully rich. Take, for instance, the steel corporations. Why should not the Carnegie Steel Company, and why should not the Cambria Steel Company and the Pennsylvania Steel Company, and other manufacturing corporations, pay their share of the taxes of this Commonwealth?

Q. What would you say as to taxing our natural resources?

A. When you say natural resources——

Q. I refer to coal, for instance?

A. Coal, lumber and minerals of other kinds. Of course, as I am told, lumber is becoming very scarce in Pennsylvania, it would hardly be fair to tax it unless it is upon the theory of preservation, but it seems to me coal should be taxed, because I believe that the coal in the earth in the first instance belongs to the people of the country. Someone has been given special rights and special privileges for the mining of that coal. That is all right, and those vested interests should not be disturbed; but those vested interests, when they can afford it, should give of their means to the State, in order that the State may extend its arms of charity to the people in the Commonwealth who are less fortunate.

By Mr. McNichol:

Q. What protection would you give to the consumer if you taxed coal?

A. Natural competition is the only protection the consumer has. We were told that after the tariff bill was passed, of course, poor people would benefit, because the price of the necessities of life would be less, but we find they go steadily up.

Q. Will you give us any data on that that will be substantial, except newspaper reports?

A. If you will go to market for me next Friday night——

Q. I pay a market bill every week.

A. The trouble is, you pay it without investigating the cost of it. If you put a basket on your arm and went to market as I do, and bought eggs and butter where you could buy them cheapest, you would realize that every day prices are going up.

Q. We are forming alliances now to abstain from eating those high priced articles and get back to natural conditions.

A. We have to eat something, and I am tired of Mother's Oats. I do not want to take up any more of your time. I have given you the best thought I had on this subject.

Q. Will you compile your thoughts into a brief and file them with Mr. Brown for the information of the Committee?

A. I will be very pleased to do that. It just occurred to me you might be interested, especially the Chairman, in an editorial that appeared in the North American on January 29th. Sometimes the North American does print good things. I do not know whether you gentlemen read it or not. I believe your distinguished counsel has at times read it, but if you will take the trouble to read the editorial of the twenty-ninth of January in the North American, which is entitled "Philadelphia's Best Factory," you will have a great deal of light on the subject that I have been discussing, very much better and very much more accurate than I could give it to you, and after having read that I am sure you would go back to the House of Assembly fully convinced that this great institution, founded by Dr. Conwell, is the best asset that Pennsylvania has, and you will give to her bountifully from your treasury every year.

DR. W. P. WILSON, Philadelphia Museums, called.

Dr. Wilson: Mr. Chairman:—I represent the Philadelphia Museums, an institution which is somewhat peculiar in its character, not a private institution, as it has on its Board the Governor, the Superintendent of Public Instruction of the State, and the State Commissioner of Forestry. At least, the Superintendent of Public Instruction and the State Commissioner of Forestry were put on on account of the educational work which the institution was doing. It also has the Mayor of Philadelphia, the Presidents of Select and Common Councils, the President of the Public Board of Education, and the Superintendent of public instruction, active on its board. I should say that the President of the Board of Education and Superintendent of Schools, also the Superintendent of Public Instruction and Commissioner of Forestry, are frequent attendants on its Board.

It is a peculiar institution, in that it started out to aid the manufacturers and commerce of the State, and to do that it found a most effective way in lines of education, and it began soon after its organization to plan out a systematic work in the State to educate the children in lines of commerce and the industries, and this is the only State in the Union that is doing that sort of work. It has been for a number of years circulating collections in the State, in the schools, large collections in the higher schools, to stimulate industry and stimulate knowledge of geography and commerce in general. Large collections have gone to over 1,500 schools in the State. At the present time it is circulating smaller collections, with cabinets, so that the schools are not compelled to provide cabinets. It has already prepared 300 of these and sent them out and is preparing 600 more. These are designed to reach

the ungraded country schools in remote districts, and there are about 18,400 of those ungraded schools.

By a Member of the Committee:

Q. How much State aid do you receive?

A. We have received on an average since the institution began \$20,000 a year. In some years we have received very much more than that.

Q. How much from the City of Philadelphia?

A. On an average, we have received from the City since our organization \$75,000 a year.

Q. How long is that?

A. We have been organized about 13 or 14 years. We have had from private individuals since we have been organized an average of \$35,000 a year. That comes from the manufacturers and others who vigorously use the institution.

Q. Your plea is that this aid should be continued?

A. It is that it is a very essential thing for the State.

Q. Do you receive any aid from the United States Government?

A. At one time we received \$350,000 for a special purpose.

Q. How long ago was that?

A. That was in 1897. It was received for permanent buildings for the museum. Three hundred thousand dollars of it was asked at that time for that purpose, and \$50,000 for putting in objects which would be interesting to commerce.

Q. The Commission has no disposition to have you discontinue your argument, but in as much as no special plea is made for discontinuing the aid, the Commission feels perfectly satisfied with what you have said and has no fault to find with the work you are doing.

A. I ought to say one word, that the output of the manufacturing interests of this State is \$2,000,000,000 annually at the present time. It has doubled in the last few years.

This line of education has its greatest importance in that way, the manufacturing interest being four times what the mining interest is or what the agricultural interest is. I want to say just one word further, that there are other States agitating this method of procedure. Illinois, Ohio and Wisconsin are all considering the question of doing just what we are doing, and they send here to see how we are doing it. Within the last fifteen days I have been called to an educational conference in Massachusetts, in which the Chamber of Commerce, which is now reorganized and has over 5,000 members, through one of its educational committees called 17 presidents of colleges and universities together for conference with the business men. The whole consideration was on the organization of an institution similar to the Philadelphia Museums, to do educational work in the State, industrial education. That continued over the day and evening, and last Friday had a second session. I was called again. That is the most active work that is being done outside of the State of Pennsylvania. I should be pleased to give you gentlemen a report, which I am sure you have no time for here.

Q. File it with Mr. Brown.

By Mr. McNichol:

Q. How far do you ascertain the condition of labor in the respective countries as compared with the condition of labor in the United States?

A. We have never specially taken up that question. We have taken up several questions of investigation in foreign countries, but not that.

Q. You have exhibits from all over the world?

A. We have.

Q. Manufactures of all kinds?

A. Manufacturing exhibits and others.

Q. Do you go into the cost of those particular things in those countries?

A. Wherever we get manufactures we get prices and

conditions of production; that is, the price it is sold at on the market or that it is exported at. That we have to get.

Q. What is the cost paid to labor employed in putting together that particular product?

A. That we have never gone into.

Q. Do you not think that is essential for the information to the general public?

A. It is a good thing for the general public.

Q. Comparison as to how much the profits of our manufacturers are as compared to those in other countries?

A. It would be a good thing. We have gone very extensively into the question of prices which the Germans and English and others get for their exported products, and labor, of course, is an essential part of that, but we have not gone into the labor detail itself.

By Mr. Brown:

Q. To what extent does the United States Government do this work?

A. Very little.

Q. Through its consular offices?

A. It is very limited for this reason; that if we take such a country as Germany, a decree was published in Germany, four years ago, to give our consuls no information whatever where it could be kept from them.

Q. You think this service can be done better by an institution like yours than by the State directly?

A. If an institution like the Department of Commerce and Labor wishes to write to anybody, except their consuls, to get information, they must do it through the Secretary, and it becomes a very formal matter. I would like to state that I have had an appeal within the last three months from the Department of Standards, in Washington, to get them wools in four or five different countries that they might standardize them for the benefit of wools coming into the country. They did not choose to go out through the Secretary of Agriculture, because it would

become a formal government matter, and we are in touch with chambers of commerce all over the world, and could simply write to Cape Town and get the specimens they wanted from there, and to New Zealand and get them from there, and from Australia, and from Argentina, the four or five places where they wanted them, without any formality whatever, because those countries have all sent us large collections, Argentina 250 fleeces at a time, to exhibit for the benefit of the wool trade, and in many ways we can do that sort of work in a way that has no official touch to it whatever, and get accurate information. We can write to a chamber of commerce in Germany, and get information which it would be perfectly impossible for the Government to do without detectives.

By a Member of the Committee:

Q. You have had applications for those educational exhibits from almost all counties in the State?

A. We had.

Q. Do you not spend quite a large part of your State appropriation in sending out those educational exhibits?

A. We do.

By Mr. McNichol:

Q. Does the United States Government compensate you for securing those samples they ask for?

A. They pay all expenses. We charge nothing. We have a large clientele all over the world of colonial houses, and we do all services for nothing for those colonial houses, because it leads them to come to us for all kinds of manufactures in this country, and we can tell them with whom to make their connection, which is a great asset.

By a Member of the Committee:

Q. You give preference to Pennsylvania institutions?

A. Always.

By Mr. Brown:

Q. Have you any data as to the educational benefit from the circulation of those exhibits?

A. I have probably 200 letters from educational people in the State.

Q. Showing the work was a leaven for the benefit of the institutions?

A. I have letters saying that now they are working with them they could not do without them in the schools. I could present a great stack of letters of that kind.

By Mr. McNichol:

Q. What would be your thought of the consolidation of that particular feature of your work with the University of Pennsylvania, with you in charge?

A. That really is something I would not like to discuss.

Q. Have you had your mind made up as to what would be the result, whether beneficial or detrimental? We do not want you to say anything before this Committee except merely for information.

By a member of the Committee:

Q. Eliminating your personality?

A. I have never thought of the possibility.

By Mr. Brown:

Q. You are satisfied with your present boarding house?

A. I am. I have never thought of the possibility of the University taking up commercial work and that line of education particularly.

By Mr. McNichol:

Q. In the next two or three months will you give it some thought and let us have your views on it?

A. I will try to do so in the next few weeks if you desire.

By a Member of the Committee:

Q. In that connection also let us have your thoughts as to combining it with the Bureau of Industrial Statistics in the office of the Secretary of Internal Affairs at Harrisburg.

A. Yes, sir. It is something, of course, I have not thought of for a moment.

Mr. McNichol: Do not get out of your own town. Remain in the confines of Philadelphia.

The Witness: I have had overtures recently to get out, not only from the South, but from New York and Boston, but I believe Pennsylvania is the foremost State in the Union. It is the largest by all odds in manufacturing, and I have had a feeling that we have helped it along a great deal in the last few years.

DR. GEO. W. MacLAUGHLIN, Penna. Seamens Friend Society, called.

Dr. MacLaughlin: Mr. Chairman, we do not like to monopolize your time, therefore I would like to be as brief as possible, for your time must be exceedingly valuable, I take it. I represent the Pennsylvania Seamen's Friend Society, which was organized in 1843 and incorporated by the Legislature that you gentlemen represent in 1846. Some of the grandest men Philadelphia ever possessed were its original incorporators. The purpose of the organization was the preservation and elevation of the men of the ocean. That involves millions of men who have no similar characteristics in the world. The remarkable thing is that greater attention has not been aroused to protect the carriers of the cargoes as they sail the circle of the globe. The revenues of your country are gathered from these identical men, whose exposure, both physical and moral, is unequalled by any other class of men in the world. The society, therefore, started in some time ago, and it has done its level best. Specifically it organized a large home at 422 S. Front street, a very fine building. Dr. Weir Mitchell was down to see us some time ago, and I was amazed that so remarkable a character would be interested, a Philadelphia man, a man of high intelligence. He said he came to view our home, which he did. That home will accommodate 40 to 50 men at one time. Dismiss from your minds the idea of anything contracted or small or indifferent about it. There is no such home in Philadelphia. There are plenty of homes to accommodate sailors, and they are accommodated in various ways, perhaps, as you may readily imagine, in any direction that their fancies might lead them. Our home is very select and very carefully conducted. We have never had a bar connected with it in 66 years. We did not think that was at all wise.

I wish you could be there and see those good fellows. If a shipwrecked crew is brought to that home, as I have met them many times, I do not profess to be much of a woman, though a fellow is liable to shed a tear now and then when he is not, to see eight or ten men come into your office, broken all to pieces. "Boys, you look to me as though you were wrecked yourself." Cowed, broken in spirit. Oh, how touching. What do we do? We have been doing it all these years. I challenge any organization in Philadelphia to surpass the proposition I make to you now. We fit them out with warm underclothes, a full suit of clothes, shoes and stockings. That is the kind of charity that is wanting nowadays. Can we be at a loss when we tell you that the home has accommodated 50,000 men? Think of that. They are men who have come and gone like the waves of the sea. It is an institution which contains the elements of a hospital. I have been listening to this hospital story. It was a very worthy one. If a seaman is taken sick in that home we have a visiting physician. What does the public know about that? We have not gone to the house top. A prescription is furnished by that physician. We pay the bill and take care of that physician. Can you think of anything more complete than that. This has been done for 60 years. How much do these gentlemen know about our Philadelphia work in that direction. I say to you in the most positive and manly way that the overlooking of this important class of men is a thing the English understand infinitely better. They protect their sailors. You can go over the globe and you will find that English organizations are in the large ports of the world. New York has come to it with an institution that has cost \$450,000 or \$500,000. You are aware of that, perhaps.

By Mr. McNichol:

Q. Money appropriated by the State of New York?

A. No, sir. I am not sure but what some money has

been given to it, but there was a very nice, handsome woman, handsome in the sense of the gift, that handed over several hundred thousand dollars, and they were worthy of it, and if you believe me I have been in the work 27 years. I have a passion and an ambition that Philadelphia will have a handsome house for those splendid men who bring in the cargoes here out of which your Government lives. It is the revenues that support the American Government. You know that, Mr. President. Mr. Sproul knows that. He belongs to that valuable port of Chester. He ought to know a great deal about the thing I am talking about and I am sure he does.

Along with that we have a large plot of ground at Mt. Moriah Cemetery, beautifully enclosed with marble, and all the requisites, so that when a poor fellow dies in our home or in a hospital, far from his dear friends, it is touching. I have looked into the coffins of those men, and said, "Ah, your dear friends do not know anything about this," and we have them carried and placed in that large and valuable piece of ground conveyed by the Cramps. They did the handsome thing for us, and I secured it all. My dear Committee, this home of ours has been doing a splendid piece of work that Philadelphia does not know. I venture to say this Committee knows very little about this class of work. I am sure of it, because you must come in contact with it. You must make yourself conversant with the facts. These men come ashore. They are boys, and yet grand fellows. They come ashore here and will be taken care of by men and women without any embarrassment at all, for what they are worth. We propose to help them with a nice home, handsomely equipped with nice rooms. Any one of this Committee might take a room there. We have accommodated, as I told you, some 50,000 men. In the past year, up to this time, I think it is 658, and some hundred lodgers. It is something different from anything in Philadelphia, entirely different. Along with this

arrangement we have what is known as a system of libraries. We send on shipboard, which originated about the time of the breaking out of the Rebellion, and these libraries, some 30 volumes in a case, placed on ships, of which there were some 4,052, containing over 7,000 volumes. Have we not been spending money? We have not come as mere beggars. Oh, no, we are standing up magnificently for a class of men that the public seem to know little about and care less. I organized, some eight or nine years ago, a free school for instruction in navigation which is at the home in one of the rooms, under the care of one of the most careful teachers of navigation that you could find here or anywhere else. I went to Washington and consulted with two of the Secretaries of the Navy. They were delighted with the idea. It seemed to be something new. You may know how much they were delighted when I got two of them at two different times to come to Philadelphia and make addresses at our anniversary. I am sure you will agree that there must have been something in it to have brought two such men from there.

By a Member of the Committee:

Q. What State appropriation do you get?

A. I am almost ashamed to tell you, it is so small—\$4,000 for two years.

Q. What is your total revenue?

A. We have revenue coming from rentals and private subscriptions and all that. This school has received within eight years, I think it is, some 250 odd scholars. Every one that has appeared before the Government Inspector at Ninth and Chestnut streets has passed, and that Government Inspector complimented me by saying, "You must have a very valuable teacher. We have passed them all, and to pass the examination for a Government certificate a man has to understand his subject or he won't get the certificate." There has never

been one turned down. Can I say anything more remarkable in favor of one feature of our work?

I could wish, indeed, that we had a greater amount of money, but we have been a little modest. One of your legislators said to me, "Why don't you apply for more money?" They might have thought I was a weak fellow, but I think it was more modesty than weakness. It has occurred to me that a little more openness of movement in that direction might be beneficial for us. I want everyone of you gentlemen to come and see us at 422 S. Front Street, an elegant building, where we will treat you handsomely indeed, and have you dine with us.

By a Member of the Committee:

Q. Do you take care of any others than sailors?

A. No, sir, it is absolutely and distinctly a sailor's house. We could not afford to open the house for promiscuous people. It would not be safe. I think you will agree with me on that. Would you like to have our reports?

Mr. Brown: Leave those with me. I will be very glad to have them.

The Witness: I am so proud of my own State, in which I was born, that I do not like anything mean about it. I would like to have a sailors' house that is big.

Q. As good as anybody's else or better?

A. Yes, sir, just as big as you are and everybody else connected with you. You may think I am very earnest and intense. If you think so, pardon me. It is the intensity that I have for my work.

DR. N. F. MOSSELL, Frederick Douglass Memorial
Hospital, called.

Dr. Mossell: Mr. Chairman, I am very pleased to have the opportunity of speaking with your permission. I represent the Frederick Douglass Memorial Hospital. We represent a hospital managed largely by our colored citizens, the first hospital in Pennsylvania that our people have assumed the responsibility of directing, and the second one in the United States; in fact, the largest and best equipped hospital now managed by colored people anywhere in the world. We have always felt that when our work was properly presented we would not have any serious difficulty in having aid. Most of you know that we, by reasons of race variety, have embarrassments. Our nurses who wish to be trained, and we have a large and increasing number of intelligent colored women who make excellent nurses. find it practically impossible to get in other hospitals—a very unfortunate thing. The same thing is true along other lines. I would draw no lines, either in race or religion. We would feel ashamed to ask for State aid if anybody that came in there and needed it was refused by reason of race. We have an institution that cost us \$100,000 to erect. The State Legislature has been good enough to give us, up to this time, \$8,000 on that building. The Legislature was kind enough to vote us considerably more than that, but the Governor in his judgment decided that the State revenues would not permit it, and we were cut down.

In regard to the effect that aid has on people that give, I can say that already our people have been encouraged to give by reason of the aid. Our people alone have raised in the neighborhood of \$40,000 for that institution and it has taught them to give in lines that they never

had been known to give before. It has taught them a lesson of giving that they would not otherwise have had the opportunity to learn.

We have, in connection with that institution and hope to develop in connection with it in the next year a post-graduate school. We have numbers of physicians here. We have probably forty-five in the town here, and numbers of them come here from the southern section of the country, wishing to take post-graduate courses, and cannot be admitted, and we hope to be able to give them that institution we, in a private way, might have been cause physicians are broad-minded gentlemen, and both white and colored physicians are connected with the institution.

We are oppressed considerably by reason of debt, and it has been a matter of 14 years' hard work to put the institution where it is, a matter of a great deal of personal sacrifice. With half the energy expended in building that instruction. We are fortunate in that respect be a great deal better off, a great many of us who are associated with the work. I do not wish at all to make a long speech and take up your time, because most of the points have been thoroughly covered. We have been treated kindly by the State Board of Charities, as a rule, and I have always felt that they ought to be encouraged in their work, that is, the State Board of Charities, because they give more time, and I am glad to see this inclination on the part of the authorities of the State to look into the matter so that they can give to those institutions that deserve by reason of really merited consideration.

By a Member of the Committee:

Q. Is there any distinctive institution in the country for the education of colored men as physicians?

A. There are a number of them, one in Nashville, Tenn., one in North Carolina, and there is the Howard University at Washington.

Q. That has a medical course.

A. They have medical departments. Numbers of those men finish their courses and want post-graduate courses and cannot get them.

Q. Do any colored men attend the medical schools here?

A. Yes, sir. I think there is no medical school in town that refuses them any course.

Q. They have no embarrassment?

A. They only have embarrassment in post-graduate work. There is an institution in the City that refuses them admission in post-graduate, the only one here, unfortunately. It is a very unfortunate thing. In regard to the amount of aid given by the State to institutions I think that the amount ought to be governed by the ability of the people behind the institution to help it. There could be no hard and fast rule that the institution shall get so much if the people raise so much. I think their capacity to raise ought to be considered.

By Mr. Brown:

Q. What would be your idea of the percentage of relative contribution from the two sources. For instance, you asked the last Legislature for \$20,000 for maintenance and \$60,000 for building. Were your people in condition to have raised a similar amount if that had been appropriated to you?

A. We did raise about \$35,000 of that building money, but that was a special effort. We raised in the last two years that much money.

Q. What reason was given for disapproving your application for maintenance, or reducing it from \$20,000 to \$5,000, and your building from \$60,000 to \$10,000?

A. I could not say that. Those things occur. I could hardly say.

Q. Was the question of necessity an element in the consideration?

A. I presume so. I did not go into that matter. I noticed that, but I could not say exactly about that. I presume they did not know we had the capacity of doing the work we are doing. We were in a small building. We just moved out of the small building about eight months ago. They did not suppose in that building we could use that much money.

Q. How has your debt been accumulated?

A. By reason of the large building we have just put up, the \$100,000 building. We are carrying those mortgages now.

Q. Have you pressing need for such a building?

A. Yes, sir. We have now a capacity of the institution according to its equipment of about 60 beds, and about 40 of those are filled at this minute, and we have only been in the new building a short time.

Q. How much of that money have you raised yourself?

A. Between \$30,000 and \$40,000.

Q. It was to pay off the balance of that you have asked this aid from the State?

A. Yes, sir.

Q. Are you growing all the time?

A. All the time growing.

Q. How do your nurses get employment, readily?

A. They are employed. As a matter of fact, we have graduated only a limited number in those 14 years. They are in demand in different States, in charge of little institution hospitals in the South and different places. That robs us of the use of them here in town. They go to take charge of institutional work.

Q. Are they employed among your own people and others, too?

A. Others, too.

Q. In general use?

A. In general use.

By a Member of the Committee:

Q. What is your view as to raising revenue from any source if it becomes necessary?

A. I very thoroughly agree to take your time in going over the matter with the gentleman who represented Temple University, and who spoke about his ideas of raising revenue. I concur exactly on the lines he went over.

Q. A wholesale raise all along the line?

A. If there is a necessity for it. Due consideration ought to be paid as to not giving money to people who have large resources and could raise the money. I think the whole idea is to help the poor. We use that system in admitting people to the hospital. We do not take anybody in there in a free bed if they can pay. A lot of them can pay something. We let them pay from \$2 a week up to the regular \$7 a week, and we ask them what they are able to pay. If they belong to a sick benefit society that money was put there for that purpose. We let them pay some of it. It costs us \$2 and some odd cents a day to maintain a patient. It has been costing that. I do not know what we may be able to manage the larger building for because we have not been a year in the larger building. I think the same system we use in the hospital ought to be used by the Legislature in regard to giving out benefit to each institution.

By Mr. Brown:

Q. Are you familiar with the other institutions of Philadelphia where your people are exclusively cared for? Take the Old Folks' Home on Powelton avenue and institutions of that character. Have you visited them?

A. I have been here 28 years. I graduated from the University of Pennsylvania, and I know all the institutions in the City.

Q. What is your opinion as to the use of the State's money in those institutions?

A. I do not think the Old Folks' Home has ever asked for any. I have no knowledge of any institution that is receiving State aid that is not applying it properly.

Q. Are you speaking for your people now as a representative man? Have you any thought as to how your people can be benefited in any way through these institutions or similar institutions?

A. Just as I have described; they feel that their work and service and the taxes that they pay entitle them to some return. They feel that they are excluded from a number of institutions which have appeared before you, and still their moneys are used as if they pay taxes, and those that pay rent pay taxes.

By a Member of the Committee:

Q. Do those institutions get State aid?

A. Sure. I do not speak with any feelings against any other charity, but you must know how we feel on a matter like that, that we feel keenly that we are constantly suffering?

By a Member of the Committee:

Q. You have referred to a particular institution that refuses admission to colored men for post-graduate work. What institution is that?

A. The Polyclinic Hospital.

By Mr. Brown:

Q. All the others do admit them?

A. All the medical schools. There is but one post-graduate school in Pennsylvania. It is a matter of hardship because the same thing is true of one in Chicago and the one in New York.

Q. The Polyclinic is the only one here that has a post-graduate?

A. It is the only one here. There are only three such schools that I recall in the United States, and all three of them refuse them post-graduate instruction.

Mr. Brown: Suppose you submit to me any further thoughts you may have on this general subject. I will be very glad to receive it, wherein you think anything can or should be done for the benefit of the people whom you specially represent here today.

DR. M. G. LIPPERT, Phoenixville Hospital, called.

Dr. Lippert: Gentlemen of the Commission: You have heard, so far, chiefly representatives from Philadelphia institutions. I appear before you as the representative of a modest country hospital, that of Phoenixville, about 28 miles up the Schuylkill River. I have a few thoughts jotted down on paper, and I believe it would be best for me to read those thoughts and will not consume very much time. It will preserve the continuity of my ideas better, as I am not a professional speaker. All parties interested, either directly or in a general way, as citizens seem to be agreed that a different method or system is indicated in determining appropriations for State aid to hospitals and other charitable institutions not directly under State control. It has been suggested to base the measure of this support on the amount of charity work actually done by these institutions. This seems to me the most equitable and just method of apportioning the amount at the disposal of the State for charitable institutions. Another suggestion made here last week was to make the amount of State aid in some measure commensurate to the amount of the donations received by an institution during the biennial period on the ground that such voluntary support may be taken as the measure of confidence, popularity and appreciation which the institution enjoys within the community. This suggestion, I confess, does not altogether appeal to me, for the reason that it favors the institution located within a wealthy constituency and discriminates against that in a community not so blessed. In other words, it gives to the rich and withholds from the poor. To illustrate: I represent an institution located in a manufacturing community, where by far the great majority of people are wage earners, in addition to which we draw from a

farming population for miles around. Neither of these classes is among the wealthy. In fact, we have only a very small minority of well-to-do people among our constituents, who, apparently from motives of selfishness, or a lack of liberality and charitableness, fail to contribute to the extent that they should. For this reason our donations as shown in our maintenance reports may not compare favorably with those of our more fortunately haps as much appreciated as any of them and has the situated sister institutions, although our hospital is per-moral support at least of the entire community.

That our people appreciate their hospital is shown by the fact that our Women's Auxiliary has, during the last 11 years, raised upwards of \$24,000, which has been used for improvements and extensions as well as furniture, etc., but this strain on the resources of our people on the other hand has told on the contributions for maintenance; hence, I say, our reports for maintenance do not show very large donations. I therefore, contend that the amount of donations received by an institution is not necessarily a criterion of the measure of its appreciation by its constituents, and to base the measure of State aid thereon might work great havoc and injustice to the same.

Alleged Graft. Certain charges were made at last week's session relative to graft in connection with appropriations to certain City hospitals. While I have no knowledge as to any favors asked of and rendered by City hospitals in return for appropriations made to them, I will say that, until I see some tangible proof to that effect I should be inclined to doubt said statements. In our own case, that of a country hospital, during the 10 years that I have been connected with it as its financial secretary, handling every dollar coming in and going out, there has never been the slightest misapplication of a penny even, nor has there ever been the slightest suggestion from any source of any fee, political tribute, or other graft in any way, shape or form. This statement I cannot

make too emphatic. Nor do I flatter myself that our institution forms an exceptional case in this respect, but I believe that the great majority of institutions are honestly managed and free from all taint of graft, the managers or trustees as a rule being chosen from the very best and most representative element in the communities. If any criticism attach to the management of some of the country hospitals at all, it may be due, sometimes, to their mistaking their scope and, as was said by Dr. Flick, last week, their wanting to do too much, or too many things, and thus spending money unwisely, but there is even in these cases no suspicion or intimation of dishonesty; at the most it could be characterized only as an error of judgment and mistaken zeal. In order to counteract such a course it would, in my opinion, be wise to place all hospitals receiving State aid under the control of a supervising body, which by personal contact with and inspection of the institutions and from comparison of their work and expenditures as shown in their reports, could readily see where one or the other of them goes too far in one, or branches out in the wrong direction, and at once call a halt. Advice and suggestions from such a body, if properly qualified, would be invaluable to these hospitals and should be hailed by all of them. The proper body, in my opinion, to have this supervision would be the State Board of Charities, consisting, as it does, of men who have through long years of service become experts, as it were, in this particular line of public service, whereas, i. e., the members of the Legislature are more or less handicapped by the diversified character of their legislative duties and business.

It might be necessary to enlarge the powers and the machinery of the Board of Charities in order to enable it to perform these duties efficiently and intelligently. If additional legislation be needed to that end it should by all means be enacted.

DR. ROBERT C. MOON, Penna. Home Teaching Society
for the Blind, called.

Dr. Moon: Mr. President and Gentlemen of the Commission: I will not trespass long upon your time in making a few remarks in reference to the institution which I have the honor to represent, the Pennsylvania Home Teaching Society for the Blind. On Friday last I had the pleasure of listening to the address of Mr. John Cadwalader, in which he gave a most interesting account of the history and progress of the Pennsylvania Institution for the Blind, now located at Overbrook. That institution and the State Institution for the Blind in Pittsburgh provide instruction for about 450 young blind persons. No person is eligible for admission to these schools if over 21 years of age. The work of the Pennsylvania Home Teaching Society and Free Circulating Library for the Blind, which I have the honor to represent, is the complement of the work carried on in those two institutions, as it deals principally with the adult blind scattered throughout the State.

It will be well to mention that the blind population of Pennsylvania is about 6,000—four-fifths of whom are over 21 years of age and consequently not eligible for admission into these institutions. Those who become blind in adult life have no means of receiving instruction in reading excepting through the teachers provided by this "Pennsylvania Home Teaching Society for the Blind," and as a rule they need a more easily felt type than the dotted types taught to children in the schools. For the adult blind the type invented by my father, Dr. William Moon, of Brighton, Eng., is the most simple and most easy of acquirement.

Upon losing his eyesight my father realized that the adult blind needed such a type, and endeavored to provide it for them, and afterwards lived for more than fifty years

to see his invention in use in every quarter of the globe. It was found to be as necessary for the adults as the Braille for the children.

On visiting this country in 1882 my father introduced into Philadelphia the plan of home teaching of the blind which he had employed successfully for 27 years in London, for he had found that most of the blind in adult life must be visited in their homes if they are to be taught to read.

The plan thus introduced into Philadelphia of providing teachers to search out the blind and teach them to read in their homes proved from the outset very successful, and the society then formed also provided a free library of embossed books for the use of its readers.

For 16 years the work of home teaching and lending of books was carried on by Mr. John P. Rhoads, treasurer of the Bible Society in Philadelphia, but in 1898 the society was reorganized and Judge William N. Ashman became its president. In 1901 it was incorporated under the title of Pennsylvania Home Teaching Society and Free Circulating Library for the Blind. From the time of reorganization in 1898 it has enjoyed the cordial co-operation of the Trustees of the Free Library of Philadelphia, where the books of the Home Teaching Society for the Blind are deposited, and from which the circulation is directed. The Free Library bears the expenses connected with the circulation of the books in the City of Philadelphia, and the Pennsylvania Home Teaching Society for the Blind is responsible for the clerical and other expenses connected with the circulation of the books throughout the State of Pennsylvania.

Four teachers are employed by the Pennsylvania Home Teaching Society for the Blind, two of whom are totally and one partially blind. Three of the teachers are located in Philadelphia and one in Pittsburgh. During the past 28 years hundreds of the blind in Pennsylvania have been taught to read, and thousands of volumes of books in

raised types have been loaned to the blind of all ages, many of whom have been very advanced in years. During the last year 17,422 embossed books were circulated, and 157 new readers were enrolled. Blind persons in sixty-two of the sixty-seven counties of Pennsylvania have at some time or other received books on loan, but there is a great need of more teachers and more books in the various types for the blind.

The Legislature of Pennsylvania has cordially recognized and approved the good work which is being done by this society, and began five years ago to extend to it State aid, which has been generously continued until the present time. Without such aid from the State so much could not have been accomplished, and it is to be hoped that the Legislature may see fit still further to increase its support so that ere long not a blind person in Pennsylvania may remain unvisited and untaught if he be capable of receiving instruction. One illustration from a letter may show you the appreciation which the blind have of the work which is being done for them. One man writes from Frankford, "I want to express my gratitude to you for sending Mr. Moore to me as a teacher." I may tell you Mr. Moore is a blind teacher too. "I am blind and before he came I was very much discouraged. After learning to read I came in touch with the outside world again, and have thus been enabled to spend many happy hours which would otherwise have been gloomy." In another note he says, "Last Thursday evening I read the Scriptures at the watch night services. I read the first sixteen verses of the 5th chapter of Matthew."

By Mr. McNichol:

Q. Do you not think this work should be incorporated in the school work of Pennsylvania?

A. I certainly think it belongs to it. If it could be incorporated and carried on in the same direction that it has been carried on, I think it would be an excellent thing.

Q. It should be part of the educational field of the State?

A. I have always thought so.

By Mr. Brown:

Q. Do you receive money from private contributions?

A. We received altogether about \$4,000 a year, of which now the State is giving us \$3,000. I may say since we have received assistance from the State we have been more cordially helped by the community generally, and I am in the hope that the proportion given by the charitable public will be greater and greater every year. It has been undoubtedly a strength to us that we have received State aid.

Q. Do you not think that the care of it as part of the school system would be more effective, in that it would be more thoroughly done because there would be no limitation based practically upon the money which would be used for that purpose?

A. It is rather different in some respects from ordinary school teaching, because the teachers must be sent to the houses. Blind adults will not go into the schools. That has been tried, and they will refuse to go out of their houses. It has been tried for the last 50 years and it always fails. The blind must be reached in their homes.

In conclusion I venture to say that there is no work more economically conducted and none is yielding more abundant fruit for so small an expenditure of money than the Pennsylvania Home Teaching Society and free circulating library for the blind, and I hope that the State will more and more foster the work which it has helped to care for during the past five years.

H. FRANK ESCHELMAN, Lancaster, Pa., called.

Mr. Eschelman: Mr. Chairman and Gentlemen of the Committee: On the question of the revenue laws, and on how to make the revenue go as far as it can possibly be made to reach, I was advised by counsel for the Committee I would be heard, among other thing. One of the important points, as it was developed in the county of Lancaster, and which came under my notice as Controller of that county, was how to make the money at interest pay its share of the public revenues. We had no difficulty in taxing land, because there it is and it cannot get away, and a man cannot lie about it, except to try to undervalue it, and the assessor has his opinion as to its value, but when you come to the question of money we experience a great deal of difficulty concerning certain securities, and therefore the Commissioners of Lancaster county took charge most largely and turned their attention to the taxing of land and the proper value at which land should be returned, and left to the controller pretty largely to devise schemes and methods by which the money at interest could be brought forth and taxed. The chief weakness which we found there was that those securities which were not of record were very poorly returned or reported. Of course, as to judgments and mortgages of record our system of bookkeeping is quite complete, and we keep very careful track of those. One particular branch of money at interest which we found great difficulty with was certificates of deposit, for two reasons; first, that considerable doubt existed as to their taxability; secondly, that persons who carried them returned to the assessors that they did not have them. Therefore we devised means to try and get this branch of money wealth as well as the others, because we took the view that they are taxable.

By Mr. McNichol:

Q. You refer to deposits?

A. Time deposits.

Q. That are not in any active use?

A. Yes, sir, time deposits—deposits that pay interest. Trust companies issue certificates stating that you will be paid 4 per cent. interest on the money.

Q. Suppose a business man has an account in a trust company and that is an active account on which he gets 2 per cent., would you incorporate that in the computation?

A. We have not been collecting taxes on that. These are investments and they are a very large branch in Lancaster county. The first thing we did was to compel the assessors to return the affidavits which they took from the holders of certificates of deposit, to return all affidavits they took concerning moneys at interest.

Q. How are your assessors appointed?

A. They are elected.

Q. By the people?

A. Yes, sir.

By Mr. Brown:

Q. When you say affidavits you mean the Auditor General's report?

A. Yes, sir, what they denominate the lilac blanks, so the Auditor General, with whom I have had considerable correspondence, informs me. There seems to be no law at present to require assessors to return those blanks, those affidavits which the taxable is supposed to sign and affirm to before the assessor.

By a Member of the Committee:

Q. You can go after them and collect them?

A. I do not mean that. I mean to say there is no law to compel assessors, when they have collected them, to hand them into the county, and the only way in which the Controller could get at that was that under the Controller's

Act of 1895 he is first given the powers that County Auditors have. That gives them the power to issue subpoenas, but he is given power in a certain section of that Controller's Act to require such testimony as he may desire in auditing the bills, and therefore I found it wise to issue a circular to our assessors stating to them that I would require, as part of the testimony and as part of the evidence upon which I would approve their bills, the production of their affidavits.

By Mr. McNichol:

Q. How many counties in the State have Controllers?

A. Until the late Act, only those which had over 150,000 people.

Q. In those counties where there are no Controllers the law would make no provision for the returns?

A. No. The only provision it would make would be such power as County Auditors would have to compel the same thing. There is now, of course, a county controller's Act relating to counties having 90,000 people. To go back to this first point, it seems to me that the Legislature ought to help out and pass a law that assessors shall bring in their affidavits. We have had some difficulty. A few of the assessors declared they would not do it. They carried out their declaration until it came to the point of having me approve the warrant for their money, and then they gracefully went home, got them, brought them back, and I approved their bills. I think it would help out if the law required them to hand them in. I do not suppose in cities of the first class it would be necessary. We found that a great benefit for this reason. The assessors simply did not take them. They did not affirm the taxables and largely made up their books from what was on the former book, and until we pinned them down to the point of disclosing to the Controller and the Commissioners the affidavits they took we had difficulty in getting at this money.

By Mr. McNichol:

Q. What was the result from your investigation as to increased return?

A. In a minute I will come to that. That is one necessity we feel. It has produced a good result.

Q. Have you drafted or thought of any draft of a bill?

A. No, I have not.

Q. Will you kindly give us your ideas and file them with us?

A. Yes, sir, I will. Now, the second point. What I have been speaking of now refers to all taxable moneys, but coming down to this question of certificates of deposit, we have about eight million dollars worth of money on certificates of deposit in Lancaster county. It is a large amount of our taxable money, but how to get at it is the question. Trust companies, of course, say that they are not taxable in the holders' hands. They go so far as to say they make a return direct to Harrisburg, and therefore the assessor is not permitted to ask the holder of the certificate to disclose it. I will try to show to the Committee a minute later that they are taxable, and what we need is to know how the assessor shall get knowledge of where these certificates are, because any wealth that you can wrap up into a little wad and put down in your pocket, and then are willing to tell an untruth about, the assessor cannot get at. I suggest that there ought to be a law by which trust companies would be required to keep a register, this register to contain separate compartments or portions for each township, and the name of the person to whom the certificate is issued ought to go under its compartment, under the proper township, and the assessor of that township should have the right to go in and look at that register, and there he could see how many residents of his township held such certificates. But we come upon a great difficulty there, and that is this. The assessor would necessarily be compelled to take an obligation against disclosing to any one but to the County Commissioners, or the

proper officers, the certificates issued by those trust companies.

By a Member of the Committee :

Q. Do you not think it would be a very much easier plan to tax the banks two mills say upon their certificates of deposit, and have them deduct that from the amount paid in interest to depositors, and prevent having in Lancaster say 75 assessors going into the bank and monkeying around in there? I should not think that would be very agreeable.

A. The only objection that I could find to that was, I presume if the bank or trust company would make that return, Harrisburg would get it all and the county would never get any.

Q. Make it returnable the same as personal property?

A. If that were true it is a much better plan, but if you follow up nearly all the laws which require the moneys to be accounted for directly at Harrisburg, our counties never get any of them, while the State graciously gives us back a large part.

By Mr. McNichol :

Q. That four mill tax you would collect on certificates of deposit, the State would get that, would it not?

A. The State gets it but returns to the township three-quarters.

Q. I have the same thought that Senator Sproul had in mind, that an account should be returned.

A. That would be much superior to what I am suggesting, but I much fear the county would not get it. I much fear the law would not be passed that way, because nearly every one of those laws in which there is an account direct to Harrisburg, they keep it.

By Mr. Sproul :

Q. You are representing the county?

A. I am representing the county first and foremost. So long as I am Controller I think it is my duty. Another

thing I found to be of value, and that was that I required assessors also to make a short summary of their work. I addressed to them a circular letter, the lower part detachable, upon which I asked them to return to me for purposes of auditing (I had to put everything under that guise, for that is the only power I had) the amount of certificates of deposit, the amount of judgments at interest and mortgages at interest, foreign stocks, and all other moneys, the total return from all sources, the total number of persons who returned money at interest, the number of voters in the district, and the number of affidavits or blanks that they put out, and sign it, simply for the purpose of classification and gathering statistics, and of keeping them constantly under the impression that we are watching and trying to do all we can on that line. I found that produced very good results. They tear that off and bring it in filled up, and tell us where the increase had been, and so forth. One more thing along that line. We are face to face with quite a serious difficulty. I have just stated in Lancaster county, where we have about \$27,000,000 at interest now, \$27,500,000 returned, levied for the assessment of 1910, we have fully \$9,000,000 of certificates of deposit, but the Act of 1907 provides that if the trust company shall pay a tax of five mills on the capital stock, the surplus and the undivided profits added together and divided by the shares of stock, that the shares, the surplus, the deposits and the undivided profits bear no other tax. There we have the word "deposits" in that Act of 1907. Therefore it would seem that that large amount of money is to go untaxed because the law provides that the trust companies shall return only three items, capital stock, surplus and undivided profits. I took that up with the Auditor General, and he and I came to the conclusion that that meant, that it shall not be taxed in the hands of the trust company, but did not mean that the holder of the certificates shall not pay a tax on that, the same as he pays on a note or any other security that he holds. But

there is considerable danger in that thing. Counsel for some of our trust companies advise me that means that neither the holder nor any one else shall pay tax on that. Mr. Hensel, counsel for the Lancaster Trust Company, advises his trust company it means the view we take of it. I submit that Act ought to be amended so as to drop that disturbing word out of it.

By a Member of the Committee:

Q. You say Mr. Hensel takes the view you take of that?

A. Mr. Hensel takes our view.

By Mr. Brown:

Q. It has never been legally determined that they were not taxable?

A. No, it has not. The only distinction is that which the Auditor General draws. It means it shall not be paid out of the trust company, but does not say the holder shall not pay. I have looked over the reports of the Banking Commissioner, and there a special deposit, or deposit bearing interest are not separated from deposits generally, and I have of our leading trust companies just these few figures. The People's Trust Company have deposits subject to check, \$275,000, but deposits drawing 4 per cent. interest, on which they have issued certificates, \$2,209,000.

By a Member of the Committee:

Q. Time certificates?

A. Time certificates.

Q. Are they not specified in the trust company's report?

A. They are not. They are stated just as deposits. Therefore it would look as if they were all deposits subject to check, which of course is not the fact.

By Mr. Brown:

Q. They return generally so as to avoid the very thing you think ought not to be avoided, payment of taxes on interest bearing deposits?

A. I presume so. We have several other trust companies. The Lancaster Trust Company has a capital stock paid in of \$250,000, undivided profits \$255,000, surplus \$750,000, making \$1,055,000 on which tax is paid, but \$3,186,462 of these certificates on which no tax is paid. The result is, summing up all our trust companies, that the five leading trust companies of Lancaster county pay taxes on \$2,640,000 and do not pay taxes on \$7,639,000. That great sum of money lies there not taxed, and we have difficulty in getting holders to return it.

Q. What proportion of that is returned?

A. I had an excellent opportunity of determining to what extent holders of certificates returned the certificates they held. Our City Saving Fund and Trust Company failed some time ago, and when the question came of an audit being held \$450,000 worth of certificates of deposit were handed in, on which the holders should get their dividends. I went to a great deal of trouble. I took up every one of those certificates and traced down the township in which the holder lived, and I found that \$22,000 is all that had ever been returned by those certificate holders out of \$450,000, 5 per cent.

By Mr. McNichol:

Q. The rest of them were wilful perjurers?

A. The rest they wrapped up in their pockets.

By a Member of the Committee:

Q. They had not been asked by the assessors?

A. That is true. The fault is not altogether with the people. The assessors were never required heretofore to account for those affidavits. Now when we compel them to bring them in and lay them down, and count them over and show a fair proportion of taxables in the township have signed affidavits that they did or did not have money, it is really marvelous the result, which I shall show in a minute. I also discovered that of about \$8,000,000 of certificates of deposit in money held among our people, we

only got a few hundred thousand until I started this method of trying to get all that we could. The result of this was that we thought we were the richest county in the State, but we had to yield to Montgomery as to money at interest. Of course, Montgomery has a great many suburban Philadelphians with large money. I think they have \$35,000,000 to \$38,000,000. We have only got up to \$27,500,000. Lancaster county had at interest in 1907, or on the returns for 1907, \$21,966,000. In 1908 it had only grown a little, \$22,400,000. Then I began this work. I came in in 1908 and tried to find additional money for the special purpose of saving real estate, and by putting in partial operation the system I have now I raised it from \$22,400,000 to \$25,200,000 for the year 1909, the assessments taken in the fall of 1908. While the figures are not entirely compiled for 1910, yet by those blanks which have been returned I have been able to find out with substantial accuracy that we will have \$27,500,000 in 1910.

By a Member of the Committee:

Q. That represents certificates of deposit exclusively in your county?

A. Largely so. It represents all money at interest, but I find that as to judgments and mortgages there is not very much increase, because Lancaster city has taken to building a great deal and we spend \$1,000,000 or so in building every year.

Q. Can you give us a comparison on certificates of deposit as compared for three years?

A. I cannot exactly give that, but I can say in a general way that three-quarters of this increase of \$5,000,000 in two years came from certificates of deposit. We have had a very general return of them this last year.

By Mr. Brown:

Q. These people have all been represented by counsel in your district?

A. A good many of them have and a good many have

not. Those two ideas, the one of requiring them to set forth, as the lilac blank does require them, and return to me a summarized statement of certificates of deposit set out specially, has brought them out. The other thing was requiring the affidavits. It is remarkable how lax assessors were as to having the man sign the affidavit that he did or did not have money. Assessors have come to me and told me, "Some of those conscientious people we have there, who do not take an oath but take an affirmation, come to them weeping and crying afterward. One assessor came in and said that such a person had come to him and told him, "I thought of the story of Ananias and Sapphira. I could not sleep. I thought I would come back and tell you I had \$3,000 more," and so it goes. The result of this is I have in a corner of the Controller's office a pile of those lilac blanks, all labeled and carefully tied up. We have looked over a great many of them. I am going to look over more. We have left them under the impression that we are going through the whole business. At the end of the year they may have them if they want them. I have perhaps half a ton. The Auditor General said he was sending me 20,000 specially this year because he thought we would need more from what we were doing.

By Mr. Brown:

Q. Is there any reason known to you why any other Controller, or any other County Auditor, or any other official performing a similar function to that which you perform, should not do the same thing you have done in this direction?

A. No. I think, as I understand the duties of the office, it is the duty of the County Controller to do every possible thing.

Q. There has been no attempt by anybody to restrain you by law?

A. No. They swear a good deal and threaten, but there has never been a mandamus or anything else in fact. I usually prepare myself. I usually am ready for it.

By a Member of the Committee:

Q. That increase from \$22,000,000 to \$27,000,000, the increase of about \$5,000,000, was due, you think, to this system of inquiry and making the assessors live up to the letter of the law?

A. Yes, sir.

Q. That \$5,000,000 has been principally gained from the return of these certificates of deposit?

A. Yes, sir, and any other unrecorded securities. That is where it came from.

Q. How about bonds and stock certificates of corporations outside of Pennsylvania?

A. We are doing considerable in that line. They are being set forth. I think they are being pretty fairly returned. Of course, there is not such a large number of those. Lancaster county took a spasm of investing in gold fields in the western part of the United States, and they usually sign the form on the back of the lilac blank now which says they are worthless. The Auditor General and I have been taking up between ourselves the question of what shall be done with stocks in which the corporation, being a non-Pennsylvania corporation, does part of its business in the State and part out of the State, has one unit as they call it operating in the State and one unit outside the State, whether it shall be accounted for at Harrisburg or not, and we promise ourselves we shall try to take up that question.

Q. You mean a corporation chartered under the laws of this State?

A. No, the laws of another State. If it is chartered under the laws of this State we have no trouble, because that is attended to at Harrisburg. There is another question. I do not know whether it is desired I shall speak upon it, touching the question of revenue. It is not a question how to produce revenue, but a question of conservation of it when it is produced. I might say something that could be done by the Legislature with relation to

dismissed cases, discharged cases by magistrates. There are certain things there by which considerable money is wasted. I do not know whether I should take five or ten minutes upon that or not.

By a Member of the Committee:

Q. That is a county matter?

A. Yes, sir, it is a county matter. I am very much concerned about that Act of 1907, because of the word "deposits" in there. There is strong grounds for argument that that means that the holder shall not pay a tax upon his deposit, and that would knock a big hole in our finances, because those certificates are nearly one-third of our whole money at interest.

By Mr. McNichol:

Q. You think that act should be either amended or repealed at the next session of the Legislature?

A. I think if the word "deposit" was amended out of that it will be fine.

By Mr. Brown:

Q. Then would you not get into the question of deposits which were used by the company in its own business, in the way of discounts, or banking, or in loans where it goes out again?

A. That might be specified, time deposits, deposits bearing interest.

Q. In active accounts, where there is no right to draw a check at sight?

A. Yes, sir.

By a Member of the Committee:

Q. You live in the interior of the State. What is the sentiment, what have you heard and what are your views, with reference to raising revenue, for instance, taxing manufacturing corporations?

A. I think the sentiment, as I gather it, is that there

should not be much, if any, additional taxation on manufacturing plants.

By another Member of the Committee :

Q. They pay nothing but local taxation?

A. No.

By a Member of the Committee :

Q. You think there should be no revenue raised by that method for the use of the Commonwealth?

A. The view of our people is, I think, that there are sufficient laws now to raise revenue, so far as we are concerned.

By Mr. Brown :

Q. Do you mean sufficient laws to raise revenue, or laws to raise sufficient revenue?

A. Sufficient laws to raise sufficient revenue. It is a question of carrying them out. We are getting along with a two and one-half mill tax very nicely, but I am bound to say if we had not discovered \$4,000,000 or \$5,000,000 extra to tax we would have been compelled to go back to three mills. There is one thing I very much hope the Legislature can correct, and that is this. On the question of the State building roads, we have this difficulty. There were built in Lancaster county some \$30,000 worth of those roads, or our share of that, and two of the townships refused to pay their share. The result was that when we went to Harrisburg they took \$10,000 out of our money and kept it there. The law provides as to the State building roads; the State pays three-quarters, the county one-eighth and the township one-eighth, but it provides that if the township refuses to pay its one-eighth they may take that one-eighth out of the county's money, any county money it has in hand, and the county in its turn must sue the township. There is no law specifying how that shall be done. We presume it is on the principle of subrogation, but our County Solicitor is wrestling with

that question as to how to sue those two townships for \$10,000. If that were made clear that the county shall then have recourse to the township to recover, it would be a wise think and would help us out of some difficulty.

By Mr. Brown:

Q. You said there is no law compelled the assessor to return the blank?

A. Yes, sir.

Q. Does not the Act of 1889 provide that upon failure or refusal of a taxable to return, that it is the duty of the assessor to make a return for him?

A. I did not mean that. I meant to say there is no law which requires the assessor to give up his blanks after he has them and leave them in charge of the County Commissioners.

Q. If it is the duty of the taxable to make a return which return must be made to the assessor, and it is the duty of the assessor, upon failure of the taxable, to make a return for him, both should go to the County Commissioners?

A. But the law extends only so far, as I understand it. After the assessor either takes the sworn return or makes one himself for a person who refuses to make it, the blanks are legally his own property.

Q. I think that is a distortion. Surely the law does not enact a vain thing. There must be some use of that blank or the law would not require it. After the County Commissioners give the blank to the assessor and the assessor gives it to the taxable, it is the duty of the assessor to fill that up if the taxable does not answer in ten days. It is his duty to make a return for him and add a penalty. He returns them to the County Commissioners for inspection to see whether any improper return has been made?

A. He returns his book, but I do not know about the affidavits. At least they have never, up to two years ago, been handed in to the County Commissioners.

Q. There has never been any legal proceeding to compel them to do it?

A. I think not.

Q. I am satisfied they could be compelled.

A. We have them this year.

Q. When County Commissioners turn over their guide books to the assessors, those guide books contain lists of judgments and mortgages which have been respectively returned by the Prothonotary and Recorder of Deeds for the respective counties?

A. Yes, sir.

Q. What is done to check that up?

A. Our clerks in the County Commissioner's office very carefully make out the book which you have spoken of, and I send one of my clerks to make a list of them also for myself, and when the assessor comes back with his affidavit I compare what he has returned with what stands in the book, and ask him to explain why he did not get this one.

Q. He is charged with what is on the book and credited with what he produces?

A. Yes, sir.

Q. Suppose he does not return according to your book, what further investigation is made to ascertain whether or not he has returned all taxables?

A. The only further investigation is that my stenographer takes testimony in all these matters, and when an assessor comes in and I find there is \$3,000 of judgment or mortgage on the book and he makes no return of it, I put him on oath and ask him why he makes no return. He states in his testimony that that has been satisfied, or that half of it has been paid, or whatever explanation he can give. I keep those minutes as notes for my annual audit and report to the court.

Q. Are taxables ever required to produce any receipts of acquittances for any part of judgments or mortgages

appearing on the guide books, or do you simply take the word of the taxable?

A. He takes the taxable's oath. That is about all.

Q. That is all that satisfies the record against him of the existence of a judgment or a mortgage?

A. Yes, sir.

Q. Do you think the law is sufficient in that respect to protect the Commonwealth?

A. I think not. I think there might be something done there, requiring those who hold such evidences of record to put partial payments on record. That might help it out. There is such a law, but there is no law to compel a mortgagor, for instance, when a certain amount has been paid, to put a note on the margin of the record.

Q. What efforts do you make to get at females?

A. The same efforts as to the males.

Q. The assessors' list would not show taxable females in every case, would it? In collecting the personal property tax how would you get the list? There are wealthy women in your community. How are their names given to the assessor?

A. As to mortgages and judgments, of course, they are of record. As to the others they do the same as they do with reference to men. They simply must go around with the lilac blanks, and put them on oath as to each of the items that are set forth against them.

Q. How is that list made up? How do you include women with men?

A. There is no such list. We cannot get at an unrecorded list. There is nothing to show such a list.

Q. Is this, which appears to be a very active movement on your part for collection of State revenue, influenced in any way by complaints of land owners?

A. To a certain extent. It was prompted primarily by the fact that prices have gone up very much, insanity is growing very greatly, and we found we needed consider-

ably more revenue. Then we cast around how to get it. We knew very well if we added half a mill tax it would mean our heads all off.

Q. You mean on land?

A. Land tax. We were not willing to raise the county rates, so there was nothing to do but find money honestly somewhere else. That is what prompted me to go into it, and the County Commissioners approved it, and that is what is at the base of it, aside from the desire to do our duty.

Q. You compel the assessors to return all blanks?

A. Every one, yes. I do not approve their bills unless they return about four-fifths as many blanks as there are voters in the district. I have them set forth in this blank the number of voters. They have a number of blanks. The law perhaps might require every one to sign one whether he has money or not, but the assessors come in and say, "I have been assessor ten or fifteen years. I know those fellows do not have any money. They have not anything." So we make a little lee-way there, but I leave them under the impression that everybody should return. I will leave with the Commission if they desire it, several copies of a circular letter of eight pages which I circulated among the assessors, also of four pages of instruction, 15,000 of which I sent around at my own expense to instruct the tax-payers.

Q. Has there been any substantial attempt, either in your own county or any other county, so far as you know, to enforce the penalties which the law provides for failure to return, improper returns, or collusion between the assessor and the taxable?

A. Not one.

Q. How do you account for that?

A. I have set it forth there in horrible terms in that circular to the assessors. I have told the assessors, which I mean to carry out, that if they will report any genuine

case to me I will report it to the District Attorney very quickly. I do not know how to account for it.

Q. You do your best to get all you can, and let the others drop?

A. Yes, sir. You can create too much antagonism. Here is a copy from the Auditor General. If you will notice, under "miscellaneous" subhead C, that instruction which used to read "certificates bearing interest," or something of that sort, is changed to the specific statement of "certificates of deposit in trust companies." He wrote me he changed that on my suggestion. I am glad he did, because the assessors always said that did not mean certificates of deposit.

Q. What check do you have on corporations that do not report to the Auditor General? Do you attempt to check them up in any way?

A. Not particularly. I am devising ways to do that and hope to spend time this year on that.

Q. What they do not report to the Auditor General they ought to report to the county?

A. That is the law. It has been so decided.

Q. There is sufficient law for that?

A. Yes, sir, there is sufficient law for that. If they do not report to Harrisburg, then the assessor goes for them.

Q. On general principles they must pay tax in some place?

A. Somewhere. I think they are catching them pretty generally. I do not know any in our county that do not report except our traction company.

Q. Are your people generally satisfied with the present taxation against banks and saving institutions and trust companies?

A. I think so.

Q. The method of collecting it and all?

A. I think there is no complaint as to that. I think that is quite satisfactory all around.

Q. Is there any interchange of mortgages between counties, as required by the Act of 1889, where County Commissioners are required to transmit a statement of mortgages owned by non-residents to the Commissioners of counties where the mortgagees are domiciled?

A. I think that is pretty generally attended to.

Q. You receive those?

A. Yes, sir, we receive them from various counties.

Q. Have your trust companies ever claimed certificates of deposit to be in the "bonds, mortgages and certificates of indebtedness" class?

A. No, they have not. They simply have said that they pay the tax on everything and that is the statement they used, which is not true.

Q. Without specifying items of everything?

A. Without specifying. They forget the time certificates. Our three leading trust companies, their stock is about 500 per cent., and they are not old, either.

Q. What are they paying, par \$100?

A. Yes, sir.

Q. And selling at 500?

A. Yes, sir. Stocks at 50 are selling at 250, and I thing one 270.

Q. What dividends are they paying?

A. I do not know that exactly.

Q. If they are 500 they must be paying 20 per cent. dividends?

A. They are paying fine dividends. I think you are about right. Of course, it is to their interest to tell holders of certificates that they need pay no tax out of their interest, because the minute the holder knows he must do that he has so much less interest, and he takes his money out of the trust company and buys stocks.

By a Member of the Committee:

Q. A man who makes a misstatement would not be a very loyal citizen of his State?

A. Decidedly not.

Q. They know that they are placing a wrong construction on the word "deposits"?

A. It is a very dangerous word in the Act of 1907. It gives them sufficient to stand on, yet there is that large sum of money bearing interest that is not taxed anywhere if that construction is right, which amounts in Lancaster county to a little over one-fourth of all our taxable personal property.

By Mr. Brown:

Q. In this Commonwealth there are a large number of worthless obligations which are not taxable?

A. Yes, sir.

Q. Is anything done in your county to see whether they are worthless or not?

A. No, there is not up to this time.

Q. Have you anything to suggest in that line, as to how that could be done?

A. I suppose the Controller's office could increase its activity and look after that and ascertain the truth.

Q. Do you know what amount it would be in Lancaster county, as compared with the general return?

A. We were stung pretty hard not so long ago in investing in gold mines and various things like that in the western part of the United States.

Q. You think there was a fair return made of that?

A. Yes, sir, practically all worthless. They make affidavit on the back that they are worthless. That seems to be as far as we can go just at present. The Controller's office can be made an office of wonderful efficiency, which would need increased force.

Q. Have you anything to suggest to ascertain these taxable securities, moneys at interest, promissory notes, articles of agreement, and a hundred other things the law covers, besides the machinery which it now furnishes?

A. No.

Q. Some States have people out specially for that business, going around from county to county, trying to discover these things?

A. Of course, our assessor is specially for that. He is specially to quiz men and find out.

Q. He depends largely on what a man says. He does not look at them except directly?

A. And what a man's neighbors tell him.

Q. Does he inquire among the neighbors?

A. Yes, sir, he inquires among the neighbors. In a rural place that is pretty generally known. I can understand in a big city that one man does not know another man's business and it would be hard to get at. I think that the thing which would work more good than anything else would be three or four genuine prosecutions. That would bring the returns.

Q. To what do you attribute the fact that there have not been any in this Commonwealth on that subject?

A. That must be attributed to the disinclination of one man to sue his neighbor, and I suppose the fear of action for malicious prosecution if the case were not made out. We have this condition in Lancaster county. There is an absolute recklessness with regard to arresting a poor fellow in the gutter and our magistrates arrest hundreds of them. We had in 1908, when I took office, 2,700 discharged cases.

Q. What do you arrest them for?

A. They arrest them for anything. I cut that down to about 1,900. I refused to pay costs in those cases. Therefore magistrates became more careful as to taking them. But when it comes to arresting a man of means, a man who has money, that is the very class here. You would have to arrest the man who has money and does not return it. It is a very different proposition. One neighbor is not going to do it to another.

By a Member of the Committee :

Q. Probably on the principle that people who live in glass houses should not throw stones?

A. Probably.

By Mr. Brown :

Q. You think we have machinery enough?

A. I think so. The fact is the Lancaster county plant has too much machinery.

Q. What is the sentiment with respect to taxing land and taxing mortgages on land?

A. There is a great deal of opposition to that. They cite it as the most virulent kind of double taxation, which no doubt it is. We cannot get along without it. No doubt that is odious, where a man has a \$15,000 farm and an \$11,000 mortgage on it.

Q. I have received quite a number of letters and the Committee have received quite a number of letters protesting against taxing these deposits on the ground that they are held by estates, poor people, and all that. What character of people in your county hold certificates?

A. I made a list of people who pay taxes on money in Lancaster county, and in 1908 \$25,000,000 was all held by 6,190 persons. It was an average of \$4,000 each.

Q. It would not be the very poor?

A. No. They are large ones, certificates of \$15,000 or \$20,000. We have just been making the assessors come in and show me. They have got \$40 and \$50. It does make you feel a little ashamed of yourself, but at the same time I believe young fellows who have saved \$100 or \$200 like to see it in the book, to let people know they are beginning to earn and save money up. There are others who do not like to return \$40 at interest, or \$50 or \$100. The tax is proportionate and it sometimes looks hard but it is the law. I was surprised that the whole \$25,000,000 was held by 6,000 people.

Q. You have already spoken about the sentiment of your county on taxing manufacturing corporations?

A. Yes, sir. Manufacturing corporations are received with much favor, and we are willing to do everything we can for them.

Q. Your land owners are entirely satisfied to have them exempt?

A. Our land owners are only dissatisfied with one thing. That is, that in Lancaster City, perhaps three or four squares from the main part of the city, they are only taxed for about one-fourth the value, while real estate in the country is taxed three-fourths. We have gone up about an average of \$500,000 in each ward.

By a member of the Committee:

Q. That is generally true, is it not?

A. Very true.

Q. In nearly every county?

A. Yes, sir. For instance, one of our trust companies had \$29,000 in a property, and I spoke to the County Solicitor. He forgot he was a County Solicitor and said, "That property in the corner there we have \$29,000 in, and I was mortally afraid we were going to lose it. The other day I was offered \$82,000 for that property." That is a fair sample. It is that way all over the heart of the town.

By Mr. Brown:

Q. How are your people on the mercantile tax?

A. They are practically indifferent on that. I think they are willing to pay mercantile tax. I do not find much opposition to it. While there is every consideration shown to manufacturing business concerns most of our people believe the mercantile tax is right.

Q. Does the enforcement of the law have a tendency to drive tax payers out of your county?

A. Yes, sir, it has had this tendency to make those who

had large moneys on deposit buy Pennsylvania stock that they did not need to reckon with us.

Q. Has it caused any of them to remove to other counties?

A. No, you could not get a Lancaster county man to go.

Q. I have received letters. They say men of large wealth have migrated from county to county for the purpose of avoiding this?

A. We have the garden spot of the world and are going to stay there.

Q. Suppose you had a lower rate than four mills, would that have a tendency to increase the income, or do you think four mills is fair?

A. No, four mills is low enough. We would not increase the income by reducing it. I am sure of that.

Q. When a return is made to you (and when I say you I mean a County Commissioner or any official in Pennsylvania standing in the same position as you are in), which you are satisfied is not a true return, what is done with that?

A. I send him back. We had a case like that in which a doctor of some prominence had been returning \$33,000 or \$34,000. I was very sure he had over \$100,000 at interest. When the assessor came in with that I sent the assessor a special letter. I told him I wanted to find the money. The doctor refused to make the affidavit and told the assessor to make it out according to his best judgment, as the law empowered him to do, and he came in with \$77,000. I told the man. The man never appeared on the appeal day to object to it. There is \$10,000 or \$15,000 more there.

Q. Do you have many of those cases?

A. Quite a number.

Q. The presumption, you think, is in favor of an honest return.

A. Yes, sir. The people of our county that hold most of this money are Mennonites and Dunkers and other plain sects, because the other class of people have their money in business. Most of our farmers belong to those non-resistant churches, and I will take their oaths. If they go on oath I feel positive it is about right.

Q. What is the sentiment, if any, in your county as to the local taxation of corporations, whether or not—I refer now to public utility corporations?

A. Those that are not private, you mean?

Q. Not private?

A. We think they ought to be taxed. Our county has suffered from that quite considerably. The York Haven Power Company escaped local taxation and the township in which the power company is located loses a great deal of money for its road and other local purposes, and the McCall Ferry Dam Company, which is about a \$20,000 plant, or will be when completed, escapes, and our sentiment there is very strongly that they ought to contribute.

Q. What about the time of the return to the Commonwealth? Is that complained of; that the time of the return should be changed to the end of the year?

A. It ought not to be changed, I think, for this reason: It will give the assessors an opportunity to bring in more days. When I first took office I thought that assessors were overpaid. I am since of an entirely different opinion.

Q. I am referring to corporate returns?

A. I know of no complaint as to that.

Q. What becomes of the time money at interest? When treasurers of corporations return now their money at interest, what becomes of the money from the first Monday of November until the 31st day of December?

A. Corporations that return to us locally?

Q. Yes.

A. The treasurer of a corporation reports on the first Monday of November debt of the corporation owned by residents of the Commonwealth. The courts have decided the settlement is made for a year. What becomes of the difference between the first Monday of November and the 31st day of December?

A. We do not find that that question arises, because all corporations we have made their settlement at Harrisburg. We never have anything to do with it.

Q. Railroad companies do not pay any local tax?

A. No. We get practically nothing from corporations because they are nearly all Pennsylvania corporations that are in operation.

Q. Do you make any investigation to determine whether or not the property of corporations, take railroad companies for instance, and the others, electric light and trolleys and others in your county, are using properties purely for their corporate purposes?

A. Yes, sir, some investigation. I think they are.

Q. You keep watch on them to see that they are, because otherwise they would not be exempt?

A. No, we watch that too closely. There is only one. It is our largest traction company, about a \$12,000,000 or \$13,000,000 concern. That we want to take up this year. It is our whole traction system, in fact.

Q. The same answer would apply to water companies and all that sort of thing?

A. Yes, sir.

WILLIAM A. MATTERN, Reading, called.

Mr. Matter: I am not here with any statistics, but am ready to furnish any memoranda as desired. I did not know I was to go until last evening about five o'clock the Controller told me to make the trip to Philadelphia this morning. Then I had to hurry up and come down here, but our predicament is on the same line as Mr. Eschelmann's.

By a Member of the Committee:

Q. Who is the Controller of Berks county?

A. A. L. Rhoads.

Q. You are clerk to the Commissioners?

A. I am clerk to the Commissioners and have been working in that office for the last five years. In regard to catching people that move from one district to the other, since I am chief clerk of the office I have devised a plan I think works all right. As long as they live in the same district the assessors know them, but after they move from one district to the other I tell the assessor to report to me into what district they moved. Then I take up that report and send the sheet to the assessor in the district to which the party had removed. In regard to checking up those lilac slips we check up every slip that comes to our office. We require the stubs and require the blanks and the others to be returned by the local assessor to our office and check them up. We do that before the assessor leaves the office. The only trouble we have is we have some kick coming from those people that deposit money in banks on books. That comes under accounts and it is taxable.

By a member of the Committee:

Q. Subject to check?

A. Not subject to check.

Q. You mean time certificates of deposit?

A. Time certificates of deposit. The banks advise them not to return them.

Q. You have the same difficulty Mr. Eschelman complained of?

A. Precisely. We cannot get the information from the banks and trust companies that do it. They say they protect their depositors; it would spoil their business if they let us know.

By Mr. Brown:

Q. Do you know of any reason why they should not return the amount of money so on deposit, pay the tax themselves, and deduct it from the interest which they pay the depositor, the same as is done in every other case?

A. Not at all. That is the instruction, that any individual that can tell them the bank in which he had a deposit deducts the State tax from his interest, he was exempt from it, otherwise he had to make a return to the local assessor.

Q. None had it deducted?

A. None had it deducted. In most cases we have not so much difficulty in country districts as we have in the city where they are in close contact with banks and lawyers.

Q. Is your experience similar to that of Mr. Eschelman in all respects of which he spoke?

A. Yes, sir.

Q. Have you any other suggestion to make than he has made, to try to remedy conditions or help out the situation in the collection of these taxes?

A. I know we had trouble. We had a woman there that did not make any affidavit. Then we had to put 50 per cent. on. We did that the first year, and she would not make affidavit the next year. I told the assessor, "You had better make your estimate higher." Then it ran up to \$601,000 for one year.

Q. What did it commence with?

A. He commenced with \$100,000.

Q. And ran up to \$600,000, and then the return was made?

A. Yes, sir. The next year I told him he had better make the estimate higher. Then he made it \$400,000. The next year she swore to \$601,000.

Q. Have you many of those in your county who do not make out a return?

A. I have 50 in one ward. I have 50 papers that did not make a return. I do not know what to do with them. By a member of the Committee:

Q. Your city assessors are appointed in Bucks County?

A. No, sir, they are elected by the people.

Q. All assessors are elected?

A. Yes, sir. I had a controversy with one of them that refused to go after secret societies. I gave instructions that orders of that class should make return the same as individuals. He said he had a letter from the Auditor General's department making it discretionary for him to do it or not do it. I told him I could not see that the State Department leave this for one man and make all the others do it.

H. FRANK ESCHELMAN, recalled.

By a Member of the Committee:

Q. Before you leave the room I should like to know what success you met with in having moneys returned held by secret organizations in your county?

A. We have not raised that question. They have been returning them pretty generally. We have not had any difficulty in that line.

By Mr. Brown:

Q. Is there any reason why these banks and trust companies should not make returns of all these moneys on certificates of deposit, and themselves deduct the State tax from the interest which they pay the depositor?

A. I think not.

Q. And directly account to you?

A. I have just cited that their stock is away up at 500 per cent. I have suggested to them that that looks to me as if they could pay $4\frac{1}{2}$ per cent. and then deduct it.

Q. Have you ever made such a suggestion.

A. Yes, sir, I have made the suggestion.

Q. Has there been any objection on account of the exposure of depositors or interfering with business in any way?

A. Yes, sir, they are very jealous as far as that is concerned. The plan suggested by Mr. Sproul is a good one. The county needs it three-fourths.

Q. Suppose the treasurer of a trust company reports on oath that there is so much money on certificates of deposit of his company, why would not that be about as near as you can get to it? That would not require exposure of depositors?

A. No, and then settle direct.

Q. Settle direct and deduct the tax from the interest?

A. It is the very best plan. I have always been very fearful that the Legislature—that the county would not get back its three-fourths of this tax on stock, and all that sort of thing. When it is sent to Harrisburg that is the last of it. We only get three-fourths of what we collect.

Q. If it is of such advantage to the county, why not have a provision that the county would collect it? Let the treasurer of the corporation pay it to the county, instead of the depositor doing that?

A. That would be very good.

Q. You are trying to get all the personal property you can so as to lighten the land tax?

A. That is it exactly. That is what my circular states. Land ought to be relieved, especially when there is a mortgage on it and there is a tax on the mortgage and the land both.

WILLIAM A. MATTERN, recalled.

By Mr. Brown:

Q. What is your experience about the sentiment of your people on the exemption from taxation of public utility corporations?

A. We are getting some tax from railroad and other corporations that do not use it for special purposes. We had trouble with the traction company. They usually hire it out to some employe and say they do not get any rent. I do not know for what purpose it is, but that is the case.

Q. Why do you not tax that? That is not exempt?

A. We had it taxed, and then they made an appeal. Lawyers came and finally one property I allude to was exonerated. We had it taxed and tried to hunt them up all we possibly can.

By a Member of the Committee:

Q. Was the appeal made to Court?

A. No, sir, only to the County Commissioners at the time the Tax Collector wanted to make settlement.

Q. The County Commissioners exonerated the Company?

A. Yes, sir.

Q. Are they of the same political party?

A. No, sir, a different political party. I can say for the County Commissioner's office of Berks county that very little politics is played in it. It is fair and square. The result of my stand with that assessor was that \$80,000 were returned to me in the office in one day of secret societies. After he had received a second instruction from the Auditor General he said he was guilty and had to go out, and I had \$80,000 returned in one day.

By Mr. Brown :

Q. Do you think the present laws are sufficient for the collection of taxes?

A. If properly enforced, with the exception of some words that would make it more plain.

Q. What do you mean by that?

A. The same way Mr. Eschelman said, in the Act of 1907, they are not quite as plain as they ought to be. You have a shield behind some of the words.

Q. What do you do to take up your guide books?

A. We take the lilac slips as they are returned by the assessors and check them off in the transcript books. After that we take the mortgage book and check them up and make the assessor account for any difference right in his presence.

Q. As to insolvent and worthless obligations?

A. They usually return them on the back, as Mr. Eschelman said, make the statement on the back without any further investigation.

Q. Do you think further investigation would develop that they were not so?

A. In some instances it might; in other instances it might not.

Q. How do land owners in your county feel on this subject?

A. In some districts they complain. My study of the method of taxation is this: I believe our assessment is not quite what it ought to be in regard to land. I base it on local taxation. In some townships the tax rate is high. With about the same expenditure at other places it is low. Where there is a high valuation of land, the tax rate is low. Where there is a low valuation it is high. Therefore, I say in some parts the taxation is not what it ought to be.

By a Member of the Committee:

Q. How does the assessed valuation in country districts on farms compare with city valuations?

A. I think on an average it is higher than city property. The oath binds the assessors to assess them at what they think it would sell for at a bona fide sale with full public notice. Properties are sold away up.

By Mr. Brown:

Q. What, from your experience, are the usual methods of avoiding a proper return for payment of tax?

A. I had an experience just the other day. A fellow came in and said to me, "I have money on deposit. Must I pay tax?" I told him, "If you get interest on it and have it in on time you have to pay tax. If you have it subject to check and draw a check sometimes you do not pay tax on it." He said, "I will get my certificate of deposit and deposit it subject to check." That is what he told me.

Q. Deposit it subject to check and never use the check?

A. He never uses a check. He gets 2 or 3 per cent. interest. When you come to those banks and ask them they say they have to protect their depositors.

H. FRANK ESCHELMAN, recalled.

By Mr. Brown:

Q. We have received a number of letters on the subject of taxing inheritances. Has there been any discussion in your county on that subject? I mean direct inheritances.

A. That subject has not been raised in our county, though I have heard some not inconsiderable sentiment in favor of its being done. Our Orphans' Court business is very large and it would amount to considerable money.

WM. A. MATTER, recalled.

By Mr. Brown:

Q. Have you any suggestion to this committee as to how the law could be bettered in any respect, either as to the class of subjects to be taxed or the class of subjects to be exempt, or the method of collection or exemption?

A. The only thing, I think, perhaps, might be bettered, of which I heard a good bit of talk in our neighborhood, was those small depositors that simply put in their savings. Limit that to a certain amount and exempt that, and after they get up to a certain amount let them pay tax on it.

Q. Have you anything else to suggest?

A. No, sir.

By a Member of the Committee:

Q. Your city is quite a manufacturing district?

A. Yes, sir.

Q. What sentiment, if any, is there with regard to taxing manufacturing corporations?

A. I think they are satisfied. People at large are satisfied with the tax they pay.

Q. Manufacturing corporations?

A. You hear some kick and some are complaining about ills, but they are not ready to give a remedy to cure those ills.

Q. What I meant was this. What would you say, as a man of affairs in your county, taking into consideration the fact now that we are endeavoring to raise more revenue in the Commonwealth? What would you say as to taxing manufacturing corporations as a method of raising additional revenue?

A. I have not given that any thought, and really do not know what manufacturing concerns pay to the State.

Q. They pay tax for local purposes but pay nothing to the Commonwealth?

A. They should be on an equal footing with an individual to my estimation.

By Mr. Brown:

Q. Is there any agitation or any talk in your community on that subject?

A. About railroads you hear some.

Q. They want railroads taxed locally on property in the district?

A. Yes, sir.

Q. But not manufacturing corporations?

A. I do not hear much along that line. The only thing you hear about railroads running through townships and not paying local tax.

Q. How about the mercantile tax there?

A. I do not hear very much about that.

Q. There is no objection to that law?

A. No.

By a Member of the Committee:

Q. The merchants are all prosperous and willing to pay their share of taxes?

A. Some go out of business, then they do not come around any more.

By Mr. Brown:

Q. Do you have any false returns of personal property?

A. Not that we find out.

Q. What do you do when you find a flagrant case?

A. We investigate and try to find out. We had some cases.

Q. Suppose you found a case that you knew was not true, what would you do?

A. We ought to prosecute.

Q. What do you do?

A. We have not done anything in that line.

Q. Do you not think one prosecution in five years would work wonders?

A. Sure, it would bring the others to terms certainly.

Q. Suppose you prosecuted one man, what would be the result of it?

A. I think it would bring the others to terms.

Q. You mean all taxables? It ought to be notice to everybody and they would have to make return and get some result?

A. Yes, sir. A letter I received from Harrisburg worked wonders. I simply published my letter in the paper. Not being personal, I took out names. I wrote to Harrisburg, and put my answer that I got from the State Department, and gave my suggestion, and that worked wonders in the line of secret societies making their return.

Q. There is not much use of printing these dire threats unless something is done?

A. Surely you have to act.

Q. It is fair to assume that in all the thousands of tax-

ables in every community somebody does not make a true return, but makes one which is palpably untrue?

A. Yes, sir.

Q. Yet so far as you know none have been prosecuted?

A. Not in our county that I know of. I am connected with the office there for five years.

By a Member of the Committee:

Q. Would this have any effect upon a prosecution? For instance, if you had say 12 or 15 cases before you of that character, and you were to arrive at the conclusion that some one of those 15 should be prosecuted, to set an example, would the fact that the party in question might be of the same political party as the Commissioners have any effect in bringing such a prosecution?

A. I do not think it should have.

Q. But would it have?

A. Not in our county.

Q. You think not?

A. No, sir, not under the present Board of Commissioners. I can say that for them. I am there to abide by my oath, and am a respecter of every one that comes in, no matter what party he is.

Q. Under those conditions would it not be a good thing to give it a trial?

A. Certainly it would.

Q. Supposing you try it?

A. I did not find such a case.

Q. Do you mean to say you have not such a case existing in the county?

A. Not to our notice.

Q. Have you been active in trying to find out whether there is such a case?

A. I think as active as any other county in this State.

By Mr. Brown :

Q. Do you make any effort to find promissory notes, articles of agreement and other things not reported?

A. Yes, sir.

Q. How do you do that?

A. Articles of agreement and such things are reported to us from the Prothonotary's office.

Q. I mean unrecorded articles?

A. We have to go on the person's affidavit, otherwise we cannot find them unless we get it from hearsay. We got \$7,000 for hearsay the other day. A woman bragged to a neighbor she did not pay any tax on \$7,000, and we just notified the assessor and he went and hunted it up, and we got a return of \$7,000.

Q. Could similar information from other people be obtained by any official employed for that purpose?

A. Undoubtedly. They could keep tabs on it and get information sooner than others could if they would make it a business.

By a Member of the Committee :

Q. The trouble is in country districts assessors are fearful of being ousted from office at the close of their term when they are candidates for re-election. That is the reason they do not do their full duty. Is not that the fact?

A. My experience is assessors will always try to take the triennial assessment for fear at the next election, and in nine cases out of ten it holds good, if they make a slight mistake this will work against them.

By Mr. Brown :

Q. Do you think it would better collection if the State appointed an official, some stranger, to go into the district?

A. I believe it would.

Q. He could get personal advice from the County Commissioners?

A. From the County Commissioners' office, with the papers and other credentials on file, and from personal investigation.

By a Member of the Committee:

Q. What would you say as to the method of electing assessors or having them serve? Do you think it would change conditions if they would be appointed instead of being elected? If the Judge were to appoint assessors in your county would that change conditions, do you think?

A. Perhaps they would not be so fearful to avoid their duties and come nearer to the standard. I know in some townships of our county the woodland was not assessed up to two years ago. They had the acres down but no valuation to it, only two townships in the county.

Q. Are you as strict in your supervision of assessors as Mr. Eschelman says he is?

A. I require every name the law requires me to get. I will not accept their books and do not pay them in full until I have it. We have two assessors now, in the Fifth and First Wards. We tabbed up with the tax collector. One of them had omitted 40 properties and some papers, and we just sent the book back and have \$137 of his money until we get it correct. The other one omitted 120.

WILLIAM M. HAGGINBOTHAM, Norristown, Pa., called.

By Mr. Brown:

Q. You heard Mr. Eschelman testify?

A. Part of it.

Q. Are your thoughts similar to his on the general subject?

A. On the general subject, yes. As far as Montgomery county is concerned, it is perhaps a little different from Lancaster county, as the Commissioners have the control, and whatever the Treasurer does he does through the Commissioners. In other words, the Commissioners dump their duplicates over on the Treasurer, charge them up to him, and it is up to him to collect. We have no Controller in Montgomery. Of course, we hear people say different things at different times.

Q. What do they do in the way of filling up the guide books?

A. That question comes directly under the head of the Commissioner's office. We do not bother much with that. I hear a great deal of complaint from assessors. I hear a great deal of complaint from common people, or what I term the working classes, people who say they are paying the bulk of the tax, and I believe they are.

Q. Do you know what is done in that county for the collection of tax on money at interest?

A. No, that is not under my charge at all. The Commissioners have all of that. The only thing I know about it is what is charged to me. The Commissioners have absolute control of that.

Q. How is the sentiment in your county, on the general subject of taxation, as to additional articles which should be taxed or those exempted?

A. The sentiment so far as I can ascertain is this, that the corporations should pay their pro rata share of tax.

Q. Do you mean manufacturers of all kinds?

A. All kinds of corporations. That has come to me in the last few days, and I find that the sentiment is running that way. To what extent I cannot say because I have not got out far enough on the subject.

Q. You do not know the proportion of personal property in your county as compared with realty?

A. No, I have not got that point.

By a Member of the Committee:

Q. What have you got to say regarding equalization of taxation in your county?

A. It is not equal at all.

Q. What do you mean by that?

A. I mean that the average workman who owns his property, and perhaps has paid \$1,600 to \$1,800 for that property, is assessed from \$1,600 to \$1,800 for that property. We go down the road a little further and find a property perhaps is classed at \$100,000, and they are assessed from \$18,000 to \$25,000.

Q. And cost how much to build?

A. Take the ground alone without any building and it is worth all of \$100,000. I can name several.

By Mr. Brown:

Q. Why have not the assessors returned that properly?

A. That is a question I am unable to answer.

By a Member of the Committee:

Q. Are your assessors appointed?

A. They are elected.

Q. What would you say if your assessors were appointed by the courts of your county, would that make a change?

A. I am not able to answer that. I do not know.

Q. Is it not a fact that elective officers in many instances fail to do their duty because of the fact that they are

afraid that they will be removed from office and may not be re-elected?

A. That is correct. Very often people in their own locality are not careful enough in the selection of their candidate.

By Mr. Brown:

Q. Why could not this service be done better by State officials without any connection whatever with the locality? They would not have local knowledge that local men would have, but acting in concert with the County Commissioners, why could not a State official do the work more effectively?

A. I cannot agree with you on that. I do not believe there is a locality in the State of Pennsylvania or the county of Montgomery that has not good people, competent to do it, provided the people will elect them.

Q. A man from outside the county could certainly see, without any local knowledge, that a property worth \$100,000 was worth more than \$18,000?

A. Yes, sir.

Q. It does not require any special skill for that, and if money at interest was reported direct from trust companies and banks there would not be any difficulty there?

A. I do not believe there would.

By a Member of the Committee:

Q. To whom are these assessors responsible?

A. To the County Commissioners only.

Q. Are they here?

A. Yes, sir. I would also say while here, as far as the mercantile tax is concerned, we believe that is about as equal a tax as we have, and there is very little complaint on that, only by a small minority of poor shopkeepers. I do not think there is anything to be improved on the mercantile so far as our office is concerned.

By Mr. Brown:

Q. How about the property of public utility corporations, what is the sentiment of your county on that?

A. I cannot answer that.

JAMES KREWSON, called.

By a Member of the Committee:

Q. What have you to say? You heard what Mr. Haginbotham said with reference to returns made by your assessors of property owned by wealthy residents of your county.

A. I live in one of the wealthiest districts of Montgomery county, that is Cheltenham. We have properties or palaces there. I suppose they cost considerably over half a million dollars. You would naturally say a house that has cost \$500,000, and I know some of them cost a great deal more than that, should be assessed at \$300,000. Does that strike you as being the right figure, Mr. Brown?

By Mr. Brown:

Q. You assess for three-fifths?

A. Something like that.

Q. Sixty per cent. to 75 per cent.?

A. Seventy-five per cent. When one of those wealthy gentlemen comes from Philadelphia, as they do come out, in my neighborhood they buy a farm that has had a nominal value as a farm for a number of years. They spend an immense amount of money on that place. If later on the head of that family dies, or they lose a portion of their wealth, and that estate is brought under the hammer, it does not bring half and in some cases only 25 per cent. of what was originally expended on it. I could give you one instance half a mile above me, where I was told a man had made an outlay of \$400,000, and it was sold not a great while ago for \$100,000. That is an example. I contend that the wisest man in every township should be assessor, or one of the wisest men. Too often he is a political follower or hanger-on. I think in my own township of Cheltenham we have one of the most just assessors that there is in the whole

State of Pennsylvania. I have done all I could in my weak way at various times to have him reinstated, and yet he increased the valuation of my little farm \$150 an acre this year. That does not look as if he were inclined to favor those who boost him. There is one thing about assessors' pay I think you gentlemen should take up. Take our first-class townships in the lower end of Montgomery, which really is a suburb of Philadelphia. Those men are getting \$5 a day. All through the upper end of the county in the poor districts they are getting \$2 a day.

By Mr. Brown :

Q. The present law is \$2.50 a day, is it not?

A. They were all elected under the old law.

Q. Is it not a fact that the last Legislature raised the salary of assessors to \$2.50 a day?

A. Yes, sir. Does it seem reasonable to you, gentlemen, that for an important position like that you want a \$2 man. He has to take a horse or hire a horse and drive out through these various townships. My idea of an assessor is that he should receive just compensation. Near the City properties are constantly fluctuating in value. In our large and wealthy township it takes good care to assess them properly. In the upper township where there is but little change in land values the time of the assessing should be limited. There should be a law not only to increase the pay of those assessors in the outlying townships, but also to limit them according to the mileage of the roads or according to the value of those townships. It has been said that the rural districts are assessed higher than those near the cities. I think you all agree to that. My friend, Mr. Saylor, comes from the upper end of the county. I believe there are farms assessed there for more than they would bring under the hammer. It is too often the case.

Q. Let us come down to the tax on personal property. How many taxables are there in your county?

A. I could not tell you that.

Q. About how many?

A. I have no statistics.

Q. How do you know how many blanks to get from the Auditor General?

A. We have a bookkeeper there.

Q. Your bookkeeper figures those?

A. Yes, sir.

Q. You are supposed to get a blank for every taxable in the county?

A. Yes, sir.

Q. Including women?

A. Those who have property, yes, sir.

Q. Those blanks you get and you turn them over to the assessor with a guide book showing the judgments and mortgages?

A. They are issued from our office.

Q. Those are given to the assessors?

A. Yes, sir.

Q. What do you do to check up the assessors in the performance of their duties?

A. You mean as to mortgages, bonds and so on?

Q. Mortgages and bonds and bringing back those blanks sworn to?

A. That is a difficult matter. It may surprise you gentlemen to know that I asked a question only this week of a man who has been identified with our court house for a number of years. I said, "What percentage do you suppose we get of the actual moneys that should be returned on bonds, mortgages and such things?" He said, "I doubt if we get over 25 per cent."

Q. Why not?

A. How are you going to get at it?

Q. What do you do with the returns? Do you compel each assessor to—you give him a blank for every taxable?

A. Yes, sir.

Q. It is his duty either to return that blank or account for it, is it not?

A. I believe in many cases they simply ignore it.

Q. He has to return that blank?

A. Yes, sir.

Q. If the taxable does not return it, it is his duty to make a return for him, is it not?

A. That is his duty.

Q. What do you do if he does not return them?

A. I will tell you what the assessor does in my district.

Q. Do not take your district particularly. Take your practice as County Commissioner. What is the practice in your county as to supervision of the County Commissioners over your assessors?

A. I could only speak of our local affairs.

Q. Take your county?

A. I will take my township.

Q. Take the blanks that are given to each taxable in Cheltenham Township?

A. If our assessor thinks a man has not given him a just return, or makes no return, I have known him in some cases to put down \$100,000. If that man does not make a kick next year he added \$50,000 more on.

Q. If he puts \$100,000 on a man in Cheltenham Township, whom you know from ordinary reputation is worth \$5,000,000, why does he not put him down for \$5,000,000?

A. I cannot tell as to that.

Q. Suppose you have men in Cheltenham Township that are worth millions, multi-millionaires. What is the use of putting them down at \$100,000 as a starting point? Why not put a sum something near what you have every reason to believe is their limit?

A. I will give you an instance. There is one wealthy man living near Ogontz, who lives in one of our so-called palaces. I doubt whether any of you gentlemen know his name. Of course, I would not mention it. He claims

a residence and all property interests in Philadelphia. He claims he makes a return in Philadelphia, yet he lives there summer and winter.

Q. Do you return him to our Board of Revision of Taxes?

A. I want to know what to do in a case like that?

Q. The law says you must transfer them if you know of mortgages and things like that.

A. How should we compel an investigation to be made in Philadelphia?

Q. The law does not compel you to do that. It does as to mortgages and some few securities. You think the law should be made so when a man tries to dodge you in your county you should notify the county where he claims a residence to look out for him?

A. I should think so.

Q. Do you go any further and investigate whether he does return in this county?

A. I do not know as we have.

Q. Why do you not do that?

A. I want to know what the law is in that case?

By a Member of the Committee:

Q. Do you not think it is your duty, outside of the law?

A. I should think it would be. This is a sample case. I venture to say there are hundreds of them right around the suburbs of Philadelphia.

Q. Would it not pay Montgomery county to employ someone to do just that sort of work?

A. There is no question about that.

By Mr. Brown:

Q. Where does this gentleman vote?

A. I believe he votes in Philadelphia to-day. He formerly voted in Ogontz.

Q. He voted there until you got after him about taxes?

A. I guess that is it.

Q. Then he migrated?

A. I guess that is it.

Q. For tax purposes?

A. Very likely.

By a Member of the Committee:

Q. If he is reputed to be worth \$5,000,000 he would escape taxation entirely if he made no return in Philadelphia? So far as you know he has made no return in Philadelphia?

A. That is very true, although I do not assume he is worth \$5,000,000.

Q. Assuming he is worth \$500,000, he would escape taxation simply because he Commissioners of Montgomery county do not manifest enough interest to see whether he was making a return in Philadelphia county?

A. I think that is right.

By Mr. Brown:

Q. In a case of that kind why do you not raise the issue right in your own county, and let him furnish proof he is a resident of Philadelphia, in other words, put him on the defensive? That is what the law contemplates?

A. I presume so. I am afraid the statutes are not well defined. I do not want to hunt trouble.

Q. Is that just one swallow that does not make a summer, or is that just the general condition there?

A. That is the condition. Then again, corporations who pay State tax, a certain portion of that should be recovered or collected by the township or county in which such franchise exists. We will take now, for instance, the power house at Ogontz. I live near there. I have been told it cost about half a million dollars. As township or county officials we do not derive one penny of revenue. It goes to the State. Of course, we get 75 per

cent. of the State money back that comes directly by taxation, but not by the corporate tax. Someone mentioned the fact that it would be the proper thing for the assessor to have a term of three or four years and not to succeed himself. It is very true that our Treasurers in former years would leave all the low men who pay nominal tax go, because they needed their vote to reinstate them. I think that rule would apply to assessors also. An assessor's inclination is to be a little lax in making an assessment.

Q. Is not the whole system lax?

A. I am afraid so.

Q. Its enforcement?

A. That is not up to county officials, that is up to the State authorities.

Q. Do you make any attempt to get this money on deposit by certificate?

A. No, sir.

Q. Have you any idea how much money in Montgomery county is deposited in your trust companies and banks by certificates?

A. I have not the least idea. I would oppose any measure that would tax a building and loan association, or even a lodge, because that is a beneficial society.

Q. I am talking now of money at interest. You heard Eschelman say what he had done in his county?

A. I only heard part of Mr. Eschelman's talk. I did not hear it all. Of course, our banking institutions pay their corporate tax.

Q. What about money of depositors at interest?

A. It goes back on to the borrower's shoulders.

Q. I mean, suppose you deposited money in a trust company, and they give you for \$10,000 a certificate of deposit, in which they agree to pay $3\frac{1}{2}$ per cent. Do you mean to say you ought not to pay tax on that money at interest?

A. That is very frequently the poor man's saving.

Q. Do you think that would be so in a rich county like Montgomery?

A. To a certain extent it is. I am director of a trust company at Jenkintown which is a poor man's institution. Out of 2,800 depositors, 2,100 of them are savings accounts. That represents the poor man's savings. The other is working capital of the middleman, farmers, and so forth.

Q. So you think it would bear unusually heavy on that class?

A. I do.

By a Member of the Committee:

Q. Do you not think the trust company might pay that tax?

A. You mean directly to the State as corporate tax?

Q. Yes, and have it returned on the three-quarter basis as at present the law is?

A. All those things are oppressive to the borrower and the poor man.

Q. The trust company is a flourishing institution, is it not?

A. Surely.

Q. You have had dividends?

A. No, sir. Our institution is only six years old. We are making money, I heard one year, more than any other institution outside of the two great cities of Philadelphia and Pittsburgh, yet we have never declared a dividend. We are adding it all to surplus.

Q. How much is your surplus?

A. In six years \$115,000.

Q. You made more money than any other bank or trust company outside of the large cities?

A. Yes, sir.

Q. Why would it not be fair that you should pay tax to the State of Pennsylvania, and not put it on the shoulders of your certificate holders?

A. You mean on net revenues?

Q. I mean to say, why would it not be a fair proposition and a square deal to the State to have the trust company pay a small tax on all certificates, and on all moneys held in the form of certificates of deposit?

A. I thought you were alluding to net earnings each year?

Q. No, I refer to this. Take a savings fund account of \$50, drawing $3\frac{1}{2}$ per cent. interest for one year. Why should not the trust company pay a tax, say of four mills, on that \$50 certificate of deposit, without putting it on the shoulders of the holder of that certificate?

A. Perhaps that would be just, but the bulk of your taxation should come from manufacturers and bondholders that are not hunted up as they should be. I am well aware of the fact that the revenues that support the State Government come from our great corporations, something like \$17,000,000 a year or \$18,000,000 derived from that source. That nearly runs the Government of the State, does it not?

By Mr. Brown:

Q. No, it does not. It may make the appropriations to State institutions, but it does not provide for the charities and one hundred and one other things.

A. There are so many of those things that come back on the wage-earners' shoulders after all. If the assessor increases the valuation of a man's house he immediately raises the rent on his tenant. It is not a hardship to the owner of the house.

By a Member of the Committee:

Q. How many wage-earners are stockholders in your company?

A. I think a good many of them. We are all men in very moderate means. I am a laboring man myself.

By Mr. Brown:

Q. What dividends could you have declared if you had

not put this money to surplus or undivided profits? What were the dividends you passed?

A. I do not just care to declare that. We want to make the institution absolutely safe. Every dollar up to this time, never a director picked up a dollar off the table when we were in session.

Q. You would have done it if you had not put it to surplus?

A. Yes, sir.

Q. Should not companies that earn more than 6 per cent. pay this tax without the depositors paying it?

A. That is a fair proposition. If they earn over 6 per cent. perhaps that is a fair proposition.

Q. You think under those circumstances that they should pay a tax of four mills on moneys deposited there?

A. A limited tax, ever bearing in mind it is the savings of poor people. If the income tax bill had passed last year you did not intend to impose any taxation on the building and loan associations? I believe that was the wording of it?

By a Member of the Committee:

Q. How would the taxing of direct inheritances affect matters in your county?

A. I do not know.

By Mr. Brown:

Q. It would drive out all these people?

A. It might and might not. I know some wealthy people in this city who are living in my neighborhood. One gentleman within a few hundred feet of this building says, "I am warning my wealthy associates not to come into Montgomery county, to keep away from Montgomery county."

Q. Where does he say they ought to go?

A. I do not know. I do not think it would be in Philadelphia county.

Q. You think if this was done by the State they could not migrate from county to county. It would catch them some place?

A. You mean the triennial assessment?

Q. I mean the assessment of money at interest. If it was done by the State a man could not in one county say he was assessed in another county, because he would have but one place to respond to, and that would be the State officials?

A. You want to enact some drastic measures by which you can catch those people. Their money must be in evidence somewhere. It may not be done within the limits of Montgomery county, it may not be done in Philadelphia, but it must be done. You must make the assessment in a general way.

ADAMS F. SAYLOR, Norristown, Pa., called.

Mr. Saylor: I come from an upper township.

By Mr. Brown:

Q. Your people do not migrate?

A. They do migrate to Pottstown, but so far as the assessors are concerned, I think that they should not be returned. They should have, say a four years' term, and after that there should be a law made that they could not succeed themselves in office. I believe that would help our assessments a great deal.

Q. How does the element of personal friendship enter into this with assessors and taxables?

A. I do not know. I have not heard much of that. We have four first-class townships in Montgomery county, Lower Merion, Cheltenham, Abington and Springfield. They are our first-class townships. Of course, the assessors in those townships get \$5 a day. That is a good job.

Q. Do you think they work any harder than the man who gets \$2?

A. Not as hard.

Q. Then it would be a mistake to pay them more?

A. I do not believe they work as hard, because I often read in the paper where a man in Cheltenham or Lower Merion buys a property for \$150,000. I go and look him up in the office and find he is assessed about \$18,000, \$20,000 or \$25,000. That is not right.

Q. Why do you not go after the assessor for making a false return? He knows that is a false return. It is highly penal. Such a man could be brought to book. Is it not strange that in all this thing nobody prosecutes this man?

A. I have not been long in office, only about a year. It takes a little while to learn the ropes of this thing. We

had an assessor appointed in one of the wards of Pottstown, and he went and made an assessment last spring, and of course, he asked a man how much money he had. He said he had something like \$2,000. "Is that all?" "Yes." Said he, "Are you willing to swear that is all you have?" "No, I have a couple of thousand more, but the other assessor did not swear us." Out of that ward we got \$37,000 more.

Q. Would not that same result come generally from the county if the Commissioners were careful to supervise all this work?

A. I think it would.

Q. Why do not the County Commissioners do that? What is the use of complaining about these things when you have in your own hands the remedy for it?

A. We should. It takes a while to learn these things, but we are getting on to that gradually.

JOHN F. KENNY, Media, Pa., called.

Mr. Kenny: I think I have very little to say. I think the argument of Mr. Eschelman, of Lancaster county, covered the whole thing pretty much. In our county, Delaware, there is a strong sentiment, I think, in favor of the taxation of railroad property. As to the taxation of manufactures, the sentiment is very much against it because we are a manufacturing county and we see the advantage of having factories in our county. In regard to returns from personal property, this year the Commissioners have required the return to be made by every person as near as it could possibly be done, but the Ananiases are not all dead. The law, I think, is all right as it stands. I do not see any objection to the law. The difficulty is in enforcing it. It has been suggested here that the Commissioners could oversee the returns from the county, but they do not know the people of the county.

By Mr. Brown:

Q. They could know whether or not all the blanks sent out—they could get a blank for every taxable from the Auditor General?

A. They do that, but how can they know whether the returns are correct?

Q. They know whether all returns are made?

A. Certainly, they know the returns are made.

Q. Is it not fair to assume that the County Commissioners of your county would have some general knowledge of the people in that county, and when they saw a man return \$10,000 money at interest and they knew he had \$100,000 or \$500,000, that they would stop, look and listen at such a proposition?

A. They could know a case of that kind.

Q. Do they examine these returns at all?

A. Yes, sir, they examine the returns, but they do not know anything about the personal property a man has. The law is weak in one respect, I think, that is that it does not fix a penalty on a man who does not make a return. It fixes a penalty on the man who makes a false return.

Q. But the assessor can fix a penalty on him, because he adds 50 per cent. and he can put in the amount?

A. There is no penalty in that. It does not amount to anything because the assessor only guesses.

Q. But suppose I do not return, the assessor adds 50 per cent. to what he thinks I should return. Suppose it is \$100,000. You would very soon bring that man to book?

A. The Commissioners add 50 per cent. to the assessment of the assessor.

Q. The penalty is added?

A. The assessor has no means of knowing what he has.

Q. He makes a guess. You heard them say how they added on \$100,000 and then the person sent in and he paid on another \$100,000?

A. I think there ought to be a penalty imposed on persons who make no return. There ought to be some provision made that they can be sent for and sworn by the Commissioners, or somebody else, put on their oath. There is no doubt the county of Delaware, I do not believe, gets half the personal tax we ought to get. I think we receive about \$44,000 personal tax. It ought to be two or three times that. It is a little like the tax of \$1 on dogs. Nobody owns a dog when the assessors go around, and there are thousands of them the next day. I think Mr. Eschelman covered the whole ground entirely. I was going to state, if he had not stated it, that I think the certificate of deposit is money loaned the same as money loaned on mortgages.

Q. What is the sentiment of your county as to whether any other thing should be taxed?

A. No, except railroad property and certificates of de-

posit. There is a general impression there that they ought to be taxed. It would seem as fairly taxable property as anything else.

Q. You think the laws are sufficient to raise sufficient income providing they are properly enforced?

A. Providing they were properly enforced the income would be three or four times what it is.

Q. Did you hear Mr. Eschelman tell the methods he uses?

A. Yes, sir.

Q. Why would they not be good in your county?

A. I do not know. They might work in some cases. There is no way of getting at the unrecorded loans that I see. Records of real estate are all plain. Anybody can get at those. As to those that are not of record it is almost impossible and pure guess-work. We find some that are omitted and put them on the list, generally without any complaint. Then again parties will come, like the gentlemen spoke of awhile ago, and say they live somewhere else.

Q. You do not notify the county where they say they live of that?

A. We notify them and they notify us. There was one party I believed had \$500,000 one year and next year he said his residence was in Maine, that he had a shooting box up there.

Q. He resided in Maine but he lived here?

A. Yes, sir.

Adjourned until February 18, 1910, at 11 A. M.

Philadelphia, Pa., February 18, 1910.

Public Meeting of the Committee held at Room 496, City Hall, Philadelphia, Friday, February 18, 1910, at 11 o'clock A. M.

Present: Gabriel H. Moyer, Vice Chairman and Secretary, presiding; Wm. C. Sproul, William H. Keyser, James F. Woodward, David Hunter, Jr., of the Committee; Francis Shunk Brown, Esq., Counsel.

DR. GEORGE STRAWBRIDGE, called.

Mr. Chairman and Gentlemen of the Commission: I am here on rather a sad sort of an errand. To be a little personal, I have been in practice here in this City for forty years. I started at twenty-five, and I am now sixty-five, so you see I have been practicing forty years. I started at the Episcopal Hospital, and have since been connected with the Presbyterian, University, Wills Hospital and the Pennsylvania Eye and Ear Infirmary. I am forty years practicing and still practicing.

I am here practically as a self-appointed representative of the profession here in Philadelphia. This is my position, self-appointed; I want that distinctly understood.

The position of the profession here in town is getting desperate. It is getting worse and worse year by year; and unless some change is made I should say fully one-half of the doctors will have to go into other businesses—fully one-half. The practice of the medical profession is getting less and less year by year, and I see nothing ahead of them but hard, hard times.

Now, naturally, the first thing that would come up

would be to combine all of the institutions of the medical profession in this City, for two reasons; there are too many practicing doctors—I should say about four times too many for the need of the community; and there are too many hospitals. So you have the profession hindered both ways. There are too many people in the hospitals in this City who should largely be in the hands of the practitioner as they were in days gone by. These are the conditions confronting us, and, as I say, the condition gets worse every year. I don't suppose there is any difference of opinion amongst the profession at all as to the conditions. Most doctors simply say the case is hopeless. There is no remedy, that is about the feeling throughout the City. That is why I appear before you, to present this aspect. As far as I know this aspect has not been presented to you at all by anybody up to the present time. Other aspects have been presented, as to the needs of the hospitals, etc., but as to these conditions as far as I know, not a word has been said up to this moment.

Now, if what I state is correct (and I am very sorry to say it is correct) we are naturally seeking about for a remedy (which the medical profession should not be compelled to do in this rich municipality); therefore, after a thorough consideration of the situation, I beg to make the following suggestions:

As I said before, there are at least four times too many doctors for the needs of the community. There are five medical schools in this City—imagine, five medical schools in a city of less than two million people—why the whole thing is absurd, simply ridiculous. Everybody says we want the best here, the very largest college and university and the best people, and they are seeking the very opposite way to get the very best.

If you ask me what I consider to be the best university in the entire world and the one admittedly the best, there is only one answer, the University of Berlin. The Univer-

sity of Berlin has nearly fifteen thousand students in it. It has over three thousand foreign students and the majority of these are Americans; then come the English next, and then the Russians and the Turks. There are nearly three thousand foreigners with a nearly fifteen thousand clientele. That, gentlemen, is the very first university in the whole world. The first in everything. Why is it the very first? Because everything is done to make it the first. There is only one—there are not five. Everything is consolidated. The Government is interested in it and all the people of Germany are interested in it. There is the very first university in the whole world.

Naturally, at my time of life, when I am rounding up things and when I have the least interest in accumulating any store, the thought comes up whether, here, in this country, we are not good and old and big enough now to plan first-class things; and I think we are. There is no doubt in our minds (I mean my own) that the medical schools should enter into a consolidation. The five medical can see that. We could bring all into a consolidation under the head of the University of Pennsylvania and make it one of the greatest universities in the country. There is no reason why all five should not enter into the consolidation. The Hahnemann institution could easily be consolidated by having in the university a chair of Homoeopathy.

By the Chairman:

Q. Do you think the Hahnemann and the rest of the medical institutions could be so consolidated in the manner you suggest?

A. Without the slightest trouble. The County Medical Society recently passed a resolution to call in the homoeopaths into consultation, that is, for the allopaths to call the homoeopaths.

By Mr. Brown:

Q. Does that custom exist in the hospitals——

A. I was just going to touch upon that subject in a minute. Consolidation is unquestionably the remedy. In that way, if everything was combined in one, if everything was consolidated into one that way, the next question would be which should be at the head of the consolidation. It should be the University of Pennsylvania. I don't think anybody would doubt but what that was the proper head. It is the greatest source of learning in this City, and in every way it has the advantages with it; it has all the departments in it, and it is the sort of a house it should be if immediately required to consolidate with and absorb these other schools.

By the Chairman:

Q. Provided, of course, the other schools would be willing to consolidate?

A. I was going to touch on that in another minute. I may say, for your information, that the feeling among them now is most friendly. When I was a young man it was different. I heard a gentleman talking about Dr. Dever, who, perhaps, is one of the best surgeons in the City——

By Mr. Brown:

Q. My understanding is that your thought is that whether they wanted to come together or not, that probably the withholding from them of State appropriations would induce them——

A. I was going to touch upon that; if the State says, we have no more such moneys for you——

Q. Unless you get together?

A. Yes. I say give the university enough money to make it first-class, which would not be quite as much as that which has been given out to all the others, and in

that way you would see what an enormous credit to this part of the country this would be. Someone has asked about the excess hospitals. Whenever a medical school starts it has to have a hospital to provide patients for the school attached. Every medical school must have a hospital. If the consolidation were effected, you would have the five hospitals in one. The hospitals for these institutions would be cut down to one by the consolidation.

Q. Does the location of the hospital have anything to do with it? Could they use the one hospital just as readily?

A. As far as hospital treatment is concerned.

Q. There is no advantage in having them scattered over the City?

A. No.

Q. The five you speak of are what?

A. The University of Pennsylvania, Medico-Chirurgical, Jefferson, Hahnemann and Women's.

Q. Why don't you ask the Polyclinic to come into the consolidation.

A. The Polyclinic is not a medical school—it has no power to issue diplomas. I think the Polyclinic has been rather anxious for some year or two for some sort of a consolidation.

Q. That is a post-graduate hospital?

A. Yes. You would have five hospitals cut out. No homoeopathic hospital is necessary, no women's hospital or college is necessary. Women are admitted everywhere. It is well known that this going to the hospital has been a perfect fad for the last fifteen years. If we get anything the matter with us we go to the hospital. That is the place for us. I have been sick a number of times and have had two or three operations performed upon my person. Have I ever gone to the hospital? No. Why? Because I have a home, which to me is superior

to the hospital. If I am sick I want to be home. I don't care to go to the hospital where a man must be subjected to the sights and scenes of hospital life. You couldn't get me there. You lie ill in your room and are compelled to listen to the piercing screams of some poor unfortunates recovering from the effects of ether. You cannot get away from it. From my standpoint, the hospital is only adapted to the people who have no home—no good home. If they live, say at a boarding house, then the hospital is for them. I know where a person has a good home, they would be better off in sickness than in a hospital. If you ask the doctors on that point there will be some little hesitation. You can easily understand the advantage of a large, busy surgeon to have about one hundred patients packed into one hospital. It concentrates his work and enables him to handle them.

Q. You think it is monopolistic?

A. Absolutely.

Q. How is the State of Pennsylvania to destroy that?

A. Suppose you don't appropriate to these hospitals?

Q. Don't you think the money of the State is being used properly?

A. No. A certain few particular doctors and specialists reap the benefit of it. This practice makes it hard for the practitioner to get along and brings about the conditions I have spoken of.

Q. The strength of the few against the many?

A. Yes.

By the Chairman:

Q. Do you know of any concrete case?

A. I have one in my mind at this minute, but I don't think it is fair to mention any names. These people are all friends of mine. I know a very concrete case.

By Mr. Brown:

Q. In other words, if they did not have such unlimited

facilities in the hospitals a patient would be treated at home by his own physician?

A. Yes.

Q. Then the hospital service should be left for the poor sick?

A. Yes, people who have no homes.

Q. And no other means by which they could get the proper treatment?

A. That is it. These conditions would bring back an enormous quantity of practice into the hands of the practitioner.

Q. Is there any consensus of opinion among the physicians of this City on this subject generally?

A. Yes, all of them say there is no practice and that is on account of the hospitals. These gentlemen who are in the hospitals would not be so positive in their declarations.

Q. That has an effect upon the general practitioner who is not within the hospital practice?

A. Undoubtedly so. He is out of work, has nothing to do and is discouraged.

By the Chairman :

Q. You have heard, undoubtedly, of repeated efforts to have a bill passed in the Legislature to establish one Board?

A. No, I have not kept close touch upon these things.

Q. That would be in line with your argument that all the boards should be eliminated and consolidated into one medical board?

A. Yes, and if I may say so, if such a thing is done, the University should be selected as the official head of the consolidation and the State should be represented in the Board of Trustees of the University.

By Mr. Brown :

Q. She has no connection now, that is, except in theory?

A. Yes, that is all she can do, and that means practically very little.

Q. Your thought is that if we had such an institution here, there would not be so many students of this country go to Berlin?

A. Yes. I was three years abroad myself. I was over to Berlin and Vienna and also Heidelberg and I know all these places. What I am saying is not theory. I have no axe to grind. I am still active in practice, and spend the good money that I get out of it.

Q. Why is it that the medical profession cannot get together in a body and recommend this consolidation such as you have suggested?

A. The local jealousies have been getting greater. There is better progress within the last year or two, though.

Q. Do you think, as a medical man of the Commonwealth, that the State of Pennsylvania could fairly withhold appropriations from these several institutions unless they get together into one?

A. I think fair notice could be given to these institutions with an unnatural growth and give them a fair idea of things.

Q. You don't think the time is ripe now for it?

A. I would have a definite plan, and work upon this plan.

By the Chairman:

Q. Do you think an institution like the Jefferson, if the State appropriation were withdrawn (I have particular reference to the Jefferson) that the Board of Trustees and the management would refuse to enter into the consolidation. Do you think it would practically put the Jefferson out of commission?

A. I think it would.

Q. If they would not receive any State appropriation?

A. Yes, unless they had an enormous support by citizens.

By Mr. Brown:

Q. Have you gathered any information or data as to whether or not these different State appropriations have tended to minimize the providing of provisions of the several institutions?

A. No, I don't think I can give any information on that point.

Q. Have you anything else on your mind, Doctor, that would probably be of use or benefit to the Committee?

A. No, I think this, in a general way, is all I have to say.

Mr. Brown:

Have the gentlemen of the Commission any further questions to ask Dr. Strawbridge?

The Chairman:

I believe that is about all, Mr. Brown.

Mr. Brown :

Mr. Chairman, the next gentleman from whom we shall hear is Mr. Simon Gratz, President of the Board of Revision of Taxes of the County of Philadelphia. (Mr. Brown addresses Mr. Gratz :

Mr. Gratz, of course you are aware of the purpose of the appointment of this Committee, which is to consider a revision of the corporation and revenue laws of the Commonwealth; that is, to determine, and gather such information as they can as to whether or not every dollar to which the Commonwealth is entitled she is receiving and as to whether or not every dollar she is paying out is being wisely expended. We have heard a good deal as to a large portion of that outgoing, and I think the Committee would like to hear from you as to whether or not the Commonwealth is receiving all she is entitled to receive in the matter of the personal property tax that is collected by the county of Philadelphia, of which the Commonwealth receives one-fourth and of which the county receives three-fourths. If you have any suggestions to offer as to defects in the present laws or amendments thereof, we would be very glad to hear from you.

Mr. Simon Gratz :

Mr. Chairman and Gentlemen of the Commission: This is a very troublesome subject, as you very well know. If all men were truthful and honest, the law would be, as it stands today in regard to the assessment of the personal tax, entirely satisfactory. But, unfortunately, there is a failing in human nature with which we are all familiar, and a great many people resort to any means, reputable or otherwise, to evade the process of the law. I think I can say that, in the main, the law is fairly and fully enforced in Philadelphia.

Every man or woman who presumably has anything that is subject to taxation, judging from his or her mode of living, is served with a blank form of return. If the return is made to us, of course, it is accepted. If the person in question fails to make a return, then there is an estimate, and 50 per cent. is estimated. I do not say that in every case or in an exceedingly large percentage of the cases in which the estimates are made that the money is collected, because the assessors, like some members of the Board of Revision of Taxes, are at times bad guessers. But there is one portion of the law that we do not attempt to enforce, because it would be almost impossible to do so; that is, the return of that portion of money at interest which is comprehended in deposits at banks, savings funds, trust companies, private bankers, etc., on which interest is paid, but which we cannot trace, and which, if we did trace, would be a most difficult matter to collect. For instance, I suppose that a great majority of house servants in Philadelphia have accounts at some of the saving funds where they deposit their earnings. It would be manifestly impossible for us to get any returns from them if the tax should be collected. So that on accounts bearing interest from 2 to $3\frac{1}{2}$ per cent., or maybe 4, there is absolutely nothing collected.

By Mr. Brown:

Q. Mr. Gratz, have you ever made any estimate of the amount of money so deposited?

A. No, but it would be a great amount. The only instance I know of in which a man voluntarily made a return of money deposited in any banking house in Philadelphia was that of a man whose residence was out of town and who spent a part of his time in Philadelphia. He came into the office one day and said, "I want to make a return of \$200,000 deposited in a banking house upon which I am getting 3 per cent. I think, under the law, I ought to return it for taxation." I said, "Yes, under

the strict letter of the law, you should unquestionably return it." He said, "Well, I am ready to return it." He then informed me that he had it there for years and intended to allow it to remain there as he didn't want to invest it. He said if he got 2.1 per cent. it was enough for his needs.

I know of some cases in which 4 per cent. has been allowed. Saving funds all allow 3.65 now. It is a question whether it would be wise to enforce the collection of the tax on these amounts of moneys at interest. If that should be your conclusion, there is, in my opinion, only one way to do it, and that would be to require these corporations, or firms, or individuals to deduct from the interest they allow the tax, whatever it might be, and annually, at the proper time, make a return to the Board of Revision of Taxes, in order that it might be included in the returns of the Revision Board to the State and that the City might ultimately get its three-fourths of the amount. There is practically no other way to reach it.

Mr. Brown:

Q. Is that an absolutely practical way?

A. Yes. I don't say anything as to the wisdom of doing it.

Q. Assuming it was a law, then the way you suggest would be a practical one?

A. Yes, I cannot think of any more practical way.

Q. Would you do that upon all moneys deposited upon which they calculate interest?

A. I think it would have to be uniform. I think from the amount of interest computed, or paid to any person, by any corporation or firm in the banking business, there should be deducted, at the close of the year (or any time) 4 per cent. of the amount paid, and that returned to the Board of Revision of Taxes.

Q. When you say 4 per cent. you mean four mills?

A. Yes, four mills. I don't know whether all of you know how very easy we are here in the imposition of taxes. I have had a good many visits from taxing authorities in different parts of the country. One of the last was a man who is at the head of the Tax Board in the State of Ohio. He said to me, "How much do you tax mortgages here?" I said, "Four mills." He said, "You mean 4 per cent., don't you?" I said, "No, four mills." He said, "In my place it is 4 per cent." I said, "Do you mean to tell me you get 4 per cent.?" He said, "Yes, we get 4 per cent." He said, "What a nice place Philadelphia is to live in. I would like to live in Philadelphia if the taxes are so small." Whether or not it would be a hardship to enforce this tax, or the payment of this tax, I do not say.

Q. Is there any reason in your mind, Mr. Gratz, why one species of money at interest should not pay the same tax as another species of money at interest?

A. No. Of course, it would be pretty hard on the man whose money was deposited and only bringing him 2 per cent. to pay four mills, but you couldn't escape it.

Q. If he prefers to live on his money, as your client from out of town——

A. Delaware county.

Q. At 2.1 per cent. it is not fair?

A. Yes.

Q. Your thought would be as to the poor people who make these deposits in order to get a return for their money? You think it would be a hardship upon them?

A. Yes.

Q. Have you ever given the matter of the average of deposits in Philadelphia any thought, Mr. Gratz?

A. I simply know they are enormous.

Q. I mean the average deposits?

A. No. I have not.

Q. Suppose the average was one thousand, two or

four. That would not apply to the very poor, would it? Because a person having, say four thousand dollars on deposit at interest could probably——

A. It would not surprise me at all if the average of those of the servant folks is one thousand.

Q. Would you consider them the very poor people of the community?

A. They get 3.65 interest. I was going to say that. I have said at times to treasurers or trustees of trust companies, "Can you use to your pecuniary advantage all the moneys you have on deposit?" The answer was, "Yes, indeed, we can; and get $4\frac{1}{2}$, 5 and 6 per cent.

Q. You speak about giving a list to the assessors of those who are presumably taxable. What do you do in the way of checking those returns up?

A. The assessors all have what we call personal blotters. They go out on the street and go from house to house. Of course, if they come to an alley that is inhabited, say by Dagoes who earn, perhaps, a dollar a day out on the street, they pass that by; but they would not pass your house or mine, because we look as if we did have something.

Mr. Brown: They would probably stop at my house under a false presumption.

Mr. Gratz (continuing): They leave a blank at all houses in which there is any reason to suppose the occupant is of sufficient means to have anything at all subject to taxation.

I want to call your attention to the lax enforcement of the law in some other localities. We have, at times, been informed (I mean the Board of Revision of Taxes) by the Board of Revenue Commissioners and sometimes by the Auditor General, that Philadelphia and Pittsburgh were the only counties in which a fair enforcement of the law was attempted. In a great many counties of the State they don't attempt to enforce it. I know of one

adjoining county, in which several of my friends live, who are very rich men, and they have often told me that they never received a blank and never were asked to make a return, and, therefore, never did it. They have escaped the tax in the past years and expect to escape it in the future.

What stirred me up to write a letter to the present Auditor General was a piece of information which I received from one of the assessors. A man residing in Philadelphia, who had a country home in an adjoining county, last fall was served with a blank. He had been making his return in Philadelphia. He said to the assessor, "I am not going to return anything more in Philadelphia; I am going to make my return in—naming the county." The assessor said, "Why do you do that?" he said, "Because the clerk there allows me 5 per cent. discount on my taxes, and you don't allow any discount here." The assessor said, "Has he a right to do that?" He said, "I don't know anything about that, but he does it." After getting that piece of information I wrote a letter to the Auditor General, of which letter this is a copy:

November 16, 1909.

Hon. Robert K. Young,
Auditor General,
Harrisburg, Penna.

Dear Sir:

We have recently learned certain facts in connection with the assessment of the State tax on personal property which we think of such importance as to warrant us in communicating them to you.

A number of our most wealthy Philadelphians have country residences in adjoining counties—principally Montgomery and Delaware—and elect to vote there, in order that they may make affidavit that they are non-residents of this City and thus avoid returning their taxable personal property to our assessors.

In a large number of these cases, when the individuals have been asked why they did not make their returns here, and thus aid the City treasury, the answer has been: "We are not asked to make any returns in Montgomery (or Delaware) county. No blank for returns is ever served on us by the assessors." Or, in some cases, the answer was: "I let the assessors estimate me, and their estimate is greatly below what it would be in Philadelphia."

An additional reason for fixing their residence so that they may make their returns outside of Philadelphia has lately come to light. Two men who had, for years past, been in the habit of making their returns to our assessors, have, this year, made affidavit of non-residence here; and have given as their reason, that the collectors of the State taxes assessed against them in the adjoining counties always allow a deduction of 5 per cent. where the bills are paid promptly. I do not know what authority they have for doing this; but I do know that all the facts above stated unite to lessen, to a great extent, the total amount of State tax to be returned to you by this office on July 31st of each year.

Very truly yours,

(Not signed)

(Written on the letter head of the Board of Revision of Taxes, Philadelphia.)

Q. Have you any thought as to the amount of these taxes that are evaded by these quondam citizens of Philadelphia?

A. I have no knowledge at all.

Q. I assume the amount is of sufficient size to justify the writing of that letter?

A. My personal belief is that the amount is pretty large, but I have no absolute knowledge.

Q. What was Philadelphia's share last year of the personal property tax? As I recall it, the total returned

to the Commission was a little over three million dollars. Can you recall what Philadelphia's share was?

A. I think I have a memorandum (reads from paper). The City got three-fourths of the tax on \$568,786,796.

Q. That is about one and a half million dollars?

A. But that included fifty-one million assessed against the Provident Trust Company, which you know about, which has not been paid?

Q. Yes.

A. Take off fifty-one million and there is five hundred and twenty million about, the City getting three-fourths.

Q. Let me ask you this: "When these people that you know go to another county, couldn't you inform the adjoining county? Why should not the Auditor General be notified that certain people claimed a residence in Montgomery or Delaware county, so that the Auditor General could keep some check on them and require the County Commissioners to make the proper returns?"

A. It would be possible for the Board of Revision of Taxes here to notify the county assessors of Delaware or Montgomery county or any other county, but while a man says he is not a resident of Philadelphia, but resides in Delaware county, we could not give his address.

Q. There is no law compelling you to-day to do it?

A. No.

Q. You were speaking of returns. Has there ever been any attempt in this county to prosecute anybody for making false returns?

A. Never.

Q. Why is that? I cannot find a case in the Commonwealth. Why is that?

A. Well, I will tell you. I know of some cases that came near to it—not quite to the point of prosecution. I have in mind three instances—of men who were worth over a million dollars and some three or four, who year after year made a sworn return that they had no taxable

property. They were reputable men—believed to be so—and no one questioned the truth of their returns. The first one who died, we will say, was Mr. A. When the inventory of his estate was filed it showed a million dollars that was placed in mortgages, and five hundred thousand or so (maybe a million) in stocks and bonds of corporations outside of Pennsylvania. I was astounded, and I thought it could scarcely be possible that a man of his reputation would make false returns, and so notoriously false. I could have found some means of explaining to myself the false statement in regard to the taxable stocks and bonds. I had the clerks bring me the returns that were made by him during the last five years of his lifetime, and I sent for his executor (who, by the way, happened to be a member of his family). I spread out before him these returns, and he held up his hands in horror. "What are you going to do about it?" he said. I said, "I want you to pay the taxes for all these years—during the years this was taxable. If you do that I will be satisfied. You are not to blame." He said, "Of course you don't want to pain the family by giving any public expose of this?" I said, "Not at all." He said, "You don't want to blacken his memory." I said, "No." The full amount of the tax was paid for all the years.

Another case: A man who was not only as well known as the first one I have mentioned, but was a pillar of the church. The case was precisely the same.

Q. You don't say where the pillar was located, Mr. Gratz?

A. No. This was even a worse case than the other. His son-in-law was sent for. He said, "My, I will do anything you want done." I said, "We want the whole amount paid up." Of course, that was the thing to do—to get the money for the City.

Q. Why shouldn't there be some provision for the collection of such tax as the collection of the collateral inheritance tax?

A. No reason in the world.

Q. And yet there is none for it at the present time?

A. No.

Q. You have had no trouble in these cases?

A. No.

Q. Have you any idea as to the number of these. Have your inquiries led you into any means of ascertaining this?

A. I have kept a pretty close watch. No, there is no trouble in collecting where a person during his life time has made false returns. The personal representative or members of his family are always too glad to do anything to save him from reproach.

By the Chairman:

Q. Do these cases frequently occur?

A. Very seldom.

Q. You spoke about making no returns. Did he make any return of the mortgages?

A. No mortgages.

Q. Were the mortgages recorded?

A. That was before we got the records from the Recorder of Deeds. That could not happen now. The Recorder of Deeds sends us a transcript, but they evade that. They don't give correct addresses.

Q. That is assuming that when the mortgagee records his mortgage he gives his correct address. If he gives it as Kalamazoo, Michigan, you couldn't help yourself?

A. No.

Q. Does Senator Vare's bill cover that?

A. Yes, to a certain extent. Human invention cannot devise a law which will make all men honest. It is impossible. I should say this for your general information. In the course of a year a vast number of people come into the office of the Board of Revision of Taxes, and they talk about taxation and other things. I have never heard

anyone say that he was not entirely satisfied to pay a tax on his personal property, or even pay a larger tax, if all people who were in the same position could be made to do it; but they say—and very justly—“I don’t want to pay a tax on my personal property when my neighbor pays nothing on his.”

By Mr. Brown:

Q. Have you ever had any complaints from land owners who seek to relieve the burden upon them by insisting upon a more rigid enforcement of the collection of the personal property tax?

A. No.

Q. We have some letters upon the subject of local taxation of public utility corporation property. Have you given that subject any thought, Mr. Gratz?

A. Only as far as municipal taxation.

Q. Only as to the Commonwealth and City revenues. I assumed that if all this property were local property of the public utility corporations, it should be taxed locally, or do you think that would be an attempt on the part of the State to impose too heavy a burden?

A. You know, Mr. Brown, as well as I do, that not by any statute law, but by a decision of the Supreme Court, certain portions of the real estate of public utility corporations have been exempted; for instance—power houses, telephone exchanges—not to mention, perhaps, some lesser improvements in that connection. My own personal opinion is that they should be taxed.

Q. You tax the Pennsylvania Railroad Company locally on what, in Philadelphia?

A. Locally on its station.

Q. That is, Broad street, West Philadelphia—all stations?

A. Yes, everything except road beds and water stations.

Q. Where is the distinction of law that taxes one cor-

poration and exempts other public utility corporations from paying a similar tax upon similar conditions?

A. The Supreme Court saw fit to do it.

Q. Is there any reason why this, as far as you know, should not be done?

A. I see no reason whatever.

Q. I gather your thought that you think it should be done. Have you been able to gather any sentiment as to taxing other subjects than those now taxable?

A. Do you mean for State purposes?

Q. Yes.

A. There is a great diversity of opinion.

Q. You are a sort of a clearing house. I thought you probably had gathered some sentiment as to this? That is, manufacturing corporations and others?

A. All the manufacturers would protest against any taxation of the State of their capital. They would insist that they could not live and thrive if such a tax were imposed. I feel very kindly to the manufacturers, but I confess I see no reason why they should be favored to too great an extreme. They are favored in the matter of local taxation—always have been and are still—in this respect: That their machinery absolutely escapes taxation (I am speaking of machinery as a fixture, and that is the most valuable part of a plant). It has been the case here, from time immemorial, not to include that, and we follow the custom down to date.

Q. What about taxing inheritances? Have you gathered any thought on that—direct inheritances?

A. I am not going beyond the provision of the present laws.

Q. I am speaking now of the taxing of direct inheritances?

A. No, I haven't thought of that.

Q. Are you able to give any thought upon the subject of taxing other subjects not now taxed?

A. You mean for State purposes?

Q. Yes.

A. I confess it has never occurred to me to give any general thought to the whole subject, so far as State tax goes. I have had in mind, more frequently, the subject of municipal taxation, because the City of Philadelphia needs a larger revenue than it gets, and I have often thought that if some method of raising the revenue by taxation could be devised, it would be a fine thing.

Q. It is your thought that the burden upon real estate in this City has about reached the limit?

A. Yes. The burden that is placed upon real estate is exceedingly heavy.

Q. Where is the City to obtain her additional revenue unless it is derived from these other taxes?

A. Undoubtedly, in a great many places, goods in the process of manufacture are taxed for municipal purposes. Goods for sale and in stock are taxed. Just take these two articles alone; consider what an immense amount would be subject to taxation if all the goods that are on sale in the stores were subject to taxation.

Q. Someone has suggested that automobiles and other luxuries should be taxed heavily—some suggest as high as fifty to one hundred dollars a year.

A. You tax carriages for hire, and why should not automobiles for hire be equally taxable? There is no reason for the discrimination. Councils have a right, I think, under the general law, to make automobiles taxable if they wanted to. It was suggested here the other day.

Q. A rigid enforcement of the law in one county would drive taxpayers, or tax dodgers, to other counties to evade it?

A. No, I hardly think it would. If a very rich man has a town house along the main line, and he happens to be fortunate enough to escape the tax in the county, and is a voter in the adjoining county, I don't think he would pull up stakes and go into some other county.

Q. Could the State collect those taxes more efficiently through collectors, who were independent of the local color—men who had no local associations? It has been suggested that the assessor is a little tender because he is following the lines of his next election?

A. You are speaking now of other counties than Philadelphia?

Q. Yes.

A. I think the assessor should be appointed, not elected.

Q. By whom? The Auditor-General?

A. Where there is a Board of Revision, the Board would be the proper body to appoint them. If there is no Board of Revision, then some other authority.

Q. You don't think the Auditor-General could come into this county and appoint collectors.

A. No.

By the Chairman:

Q. What would you say if the Court were to appoint the assessors for the various townships in the several counties of the Commonwealth, excepting the counties of Philadelphia and Allegheny, for instance?

A. You would probably get a pretty good set of men that way.

Q. In your judgment, would that be an improvement over the present method?

A. I think almost any method would be an improvement over the one which prevails in making them elective. Just as long as that system is operative, the men who are candidates for re-election are going to favor voters.

Q. The present length of the term of assessors is three years, and the compensation is fixed by an Act of Assembly passed at the last session of the Legislature at two dollars and a half per day. What would you say if this compensation was increased to five dollars per day?

A. Well, I don't think two and a half dollars per day is sufficient.

Q. Do you think five dollars a day would be sufficiently attractive for a man to accept the job?

A. Five dollars a day in the country would be equivalent to ten dollars a day here.

Q. Suppose the term was four years instead of three and he should not be permitted to succeed himself, what would you say?

A. That would be an improvement.

By Mr. Brown:

Q. Have you any other thought on the subject?

A. Not that I know of.

Q. How is the examination made to determine whether or not the assessor accounts for all of these blanks that are given to him?

A. They don't account for any particular number of blanks.

Q. I mean, suppose an assessor has in his district ten thousand presumable taxables and sends these blanks to the people, what check is there when he gets them back? Does he account for every one of them?

A. Yes, when he serves the blank he marks on his blotter "Blank served," such and such a date. The blank has a printed notice on it that unless the return is made within ten or fifteen days (that is January 10) from the day of service of the blank, that the person to whom it is served will be estimated, and the penalty will be attached.

Q. And they do estimate?

A. Yes.

Q. In a case where you get a false return, where you know it is false, why shouldn't the officials of the several counties know of such a case? Why shouldn't you follow that up to make an example of somebody? Wouldn't one example do more good than all the laws you could pass?

A. Yes, it would prevent them, probably, from doing the same thing.

Q. In other words, it is generally assumed that the rules

governing taxing are different from any other class in the community. A man who dodges taxes does not think he is doing wrong, and a prosecution of a flagrant case would bring about a correction and prevent a great many cases of tax dodging?

A. The law does not provide enough.

Q. What, for making false returns?

A. Yes, it does not send a man to prison.

Q. It provides a fine of five hundred dollars and seven years in prison, under the Act of '79, as I recall. Where the assessor fails to make a return, five hundred dollars and five years. Neglect of it in any respect, five hundred dollars fine and one year in prison. It seems to me these laws are drastic enough.

A. They are very drastic. But the trouble would be to get the evidence which would enable you to say the return was false.

Q. I say, only a flagrant case, where there is no question about it.

A. For instance, I have heard of a man, who happened to be a friend of mine, who owned a couple of million dollars of mining stock and didn't return any. I went to him and said, "You can't afford to do this; you should make a return of that mining stock." He said, "Why, is that taxable?" I said, "Of course, it is." It was the stock of a company organized in one of the far Western States. He said "I never thought of that. I will return it next year." They like to forget if they can—in regard to their taxable property.

Q. I refer to the failure of those who boast about it?

A. I don't think they boast about it. A man may boast that he has never been served with a blank—that he is fortunate in that respect. A man who makes a false return is never going to brag about that.

By the Chairman:

Q. If the Board of Revision of Taxes has reason to believe that a false return has been made, the blank is placed in the hands of the assessor, returned to him and asked to

pass upon it again and make a better return. That is the method under the law?

A. Yes, they are often sent back, and the man who owns one thousand dollars of taxables puts down fifty dollars, and we have no means of knowing the truth.

Q. For instance, who estimates under the law?

A. The assessor.

Q. He makes the estimate and has the power to add 50 per cent.?

A. The Board of Revision is required by law, in the City of Philadelphia, to add fifty per cent. We had an illustration of that in the case of a man leaving an estate of twenty millions. That was about fifteen or eighteen years ago. The assessor had been estimating him at fifty thousand dollars taxable personal property. I sent for the assessor, after the death of the man and the filing of his inventory, and said to him, "How in the world did you come to do a thing like this?" He said, "He told me he didn't know how much he had and couldn't make a sworn return, as he really didn't know how much he had that was taxable, but was sure it was not in excess of fifty thousand dollars." We had it placed on our books and made an estimate of three to four millions to cover during the current year, and after the man's death his executor disputed it and went to Court and we lost it. The Court said that the action of the Board of Revision in estimating him at fifty thousand was conclusive.

Q. Why don't they take higher sums?

A. If the Board of Revenue would give the people credit for taxes they are imposing that are not collectible, there would be no trouble. The State charges the City of Philadelphia with every penny standing on its books on the thirty-first of July, and I think they should at least give you credit if you notified afterwards that one million dollars of the tax proved uncollectible. So, in the case of the State, we have to be careful not make the estimates too great.

Q. That benefits the taxpayers who dodge taxes?

A. I will tell you how it is done. A man declines to make a return, and if the assessor isn't a pretty good guessor, he will go to me and say, "How much should I estimate?" Well, we will start it at a comparatively small figure, adding the penalty. If that is paid, there will be a very great increase the next succeeding year; but we have had a considerable number of cases, pretty large estimates, and in no one of them, for a series of years, has the City collected one penny of the money. You cannot get any money from the State, and, therefore, in the case of the State, we have to be reasonably careful in making these estimates. You can see what it would be.

By the Chairman:

Q. If tax dodging is as prevalent in Philadelphia county as we have just heard, how would a prosecution brought ever get past the grand jury or past the petit jury. Would it be all right to have them brought before the grand jury?

A. I suppose the presumption is that probably they might be. I didn't say tax dodging was so very prevalent in Philadelphia.

Q. I presume it is prevalent?

A. It is the world over.

Q. It seems to be contagious?

A. Yes. The law is pretty fairly enforced in Philadelphia. The trouble is in the adjoining counties, where they have been too lax. I happened to say to one of the Commissioners of Montgomery County, and after the session was adjourned I said to him, "Why can't you notify the Board of Revision of people who have country places in your county who claim residence in Philadelphia?" He said, "We have lots of them." I said, "The same people tell our assessors they are residents of your county and not residents of Philadelphia." He promised to send me a list, but I have not received it as yet.

Mr. Brown: He is probably thinking it over.

Mr. Brown: Mr. Chairman, Mr. Albright, of the Pennsylvania Tax Reform Association, has something to say.

Haines D. Albright, Tax Reform Association of Pennsylvania: Mr. Chairman and Gentlemen of the Commission: What I have to say is somewhat technical, and I have therefore reduced it to writing for your convenience and for mine. I am, however, willing to answer any questions concerning what I have written here.

The Tax Reform Association of Pennsylvania consists of a number of Pennsylvania real estate owners and business men whose property interests are large and important and who are convinced that general business prosperity is more effectively helped or hindered by the manner in which the tax burden is adjusted than by its size. While we cannot fail to appreciate the need for more public revenue, we know that the most important part of the work of this Commission is not so much to devise a way to get more money as it is to discover how to get sufficient public revenue in ways which will not check business prosperity.

The Tax Reform Association of Pennsylvania desires to assist in promoting the evolution of a system of State and local taxation which will not hamper productive business activity. It therefore respectfully suggests and recommends:

First: That no additional taxes be imposed upon manufacturing companies.

Second: That the State taxes upon mortgage debts, stocks, bonds, money at interest and other forms of movable personal property be abolished.

Third: That cities, counties and boroughs be given a degree of local option as to the manner and subjects of taxation for local revenues.

Fourth: That certain technical devices for promoting equality of real estate assessments, the value of which

have been amply demonstrated, be made compulsory throughout the Commonwealth.

PROPOSED SUPER TAX ON MANUFACTURING COMPANIES.

The income producing utility of land is almost entirely dependent on the presence of an active, prosperous population. Real estate owners are therefore most substantially, though indirectly, interested in having the tax burden so adjusted as to attract rather than repel manufacturing enterprises which furnish a profitable, nearby market for most of their farm produce, rent paying tenants for many of their dwelling houses, and the most liberal purchasers of the merchandise of retail storekeepers. The presence of the property and activities of Pennsylvania manufacturing companies in this way contributes hundreds of millions of dollars to the source of the incomes of the owners of neighboring Pennsylvania real estate; and for farmers and other thus benefited real estate owners to seek to subject Pennsylvania manufacturing companies to even a small handicap would be as unwise and self-injurious as killing geese which lay golden eggs.

Manufacturing companies pay the same direct taxes upon the value of the real estate which they hold and the personal property which they own as is paid by other citizens. They are all exposed to close competition; even in their own immediate neighborhood they must sell in competition with goods manufactured elsewhere. They almost always sell in a State-wide market; generally in a Nation-wide market; often in a world-wide market. Any tax which they must pay in excess of those levied upon their competitors, is, to that extent, a business handicap, and even a small special or super tax upon them will bear so heavily upon some of them as to either destroy or drive them, together with the benefits which they incidentally confer upon neighboring real estate, into another taxing district, which, though it may raise a

larger amount of taxes, does so in a manner which does not hamper production of the wealth out of which all taxes and all incomes are paid.

THE TAXATION OF CONCEALABLE PERSONAL PROPERTY.

We suggest the abolition of the taxes upon mortgage debts, stocks, bonds, money at interest and other forms of movable personal property.

First: Because the burden of such taxation is usually shifted from those intended to be taxed, to wit, the owners of the property taxed, to other persons who have already paid their just share of taxes. This is the case with the tax on loans secured by mortgages of Pennsylvania real estate. This mortgage tax is added to the rate of interest paid by the borrowing real estate owner to the money-lender 5.4 per cent. is the prevailing rate, the four-tenths being the tax). If the money-lender is a resident of this State and gives his correct address to the Recorder of Deeds at the time the mortgage is recorded, the information is communicated to the tax assessors of the district in which the money-lender lives, and he is compelled to pay the tax which he has collected from the borrower over into the public treasury, but as some money-lenders give incorrect addresses, and many actually live outside the State, this tax, which is shifted to real estate owners and, ultimately, paid by them, costs them much more than it profits the public treasury.

A second reason for abolishing these taxes is that they never can be collected with anything like practical equality. A large proportion of those liable can always succeed in evading payment, and the burden is therefore most unequally and unjustly distributed. Such property does not lie out of doors, in full view of all men, as land does. Its ownership and its very existence can therefore be concealed and, most frequently, is not generally

known. Mr. Eshelman, the Controller of Lancaster county, who testified two weeks ago, told how he had investigated the ownership of the certificates of deposit presented to the receivers of an insolvent local trust company and found that only 5 per cent. of them had been assessed for taxation. This testimony is in harmony with the facts disclosed by many other investigations in widely dissimilar places, and, indeed, with the universal experience of mankind. In every country and in all ages taxes upon property which could be concealed have been paid only by the trustees of widows and orphans and by comparatively few conscientious persons.

A third reason for favoring the abolition of taxes upon concealable property is that they operate as a strong inducement to the commission of perjury, and make false swearing so common as to appear innocent, thus weakening respect for law and for the sanctity of an oath. The great mass of men know that such tax laws are not uniformly applied; that evasions are numerous and common, and that the administrative factors are unable to circumvent evasions. They, therefore, omit from their tax returns all reference to their not generally known possessions and swear to the returns with consciences which are not visibly troubled. One of the speakers of the Louisville Session of the International Tax Conference, speaking of this well-known fact, said that it "by no means implied an inherent dishonesty in the average citizen. The average man believes in fair play and is usually willing to perform his part, where fair play is the established order of the day, but where his confidence is shaken, he meets kind with kind, unfairness with unfairness. If frankness with the authorities as to his actual possessions means injustice to himself he will protect himself by silence, evasion, and even perjury." The tax upon concealed property is really a tax upon conscience. A strong and frequently effective temptation to suppress that instinct for morality which should be the most precious possession of a Commonwealth.

A fourth reason for favoring the abolition of taxes upon movable personal property is because the economic effect of drastic efforts to collect taxes upon this kind of property is to induce citizens of the State to send their money into other States.

When George Vanderbilt acquired the great Biltmore estate in North Carolina, it is said that he forbade trapping and shooting, and that in a short time the birds and deer came to know that Biltmore was a safe place for them to be, and they came there in great flocks. Monied capital, which is the life blood of business and the necessary tool of modern industry, is quite as responsive to such inducements. In these days of close competition and convenient facilities for the transmission of intelligence and the transportation of persons and property, monied capital flows from place to place with great facility, and if Pennsylvania will altogether cease trying to ferret out and tax it, it will flow into this State even as the birds of the South flock to Biltmore.

In 1871 Thomas Cochran, Esq., who was then President of the Board of Revision of Taxes of Philadelphia county, in a paper which he read before the Social Science Association, pointed out that "There is nothing that will so silently, yet certainly, dry up the sources of prosperity of a community as taxation injudiciously imposed." He illustrated the proposition by relating how a tax on auctioneers, 1 per cent. higher than New York levied on East India goods, had transferred from Philadelphia to New York an auction business, which in the first quarter of the nineteenth century was the most important in the country. Mr. Cochran said it was no wonder that goods were consigned to New York instead of to Philadelphia, though for many years much of the foreign shipping that sailed into New York was owned in Philadelphia and that this law remained long enough (30 years to permanently injure us.

In New York the assessors are required to ferret out

and assess the machinery, credits, materials on hand and stock in trade of manufacturers. Many of the towns of New Jersey have advertised the fact that they make exceedingly low assessments of the personal property and plants of manufacturers, and have in this way induced many of the larger New York factories to move into New Jersey so that there are now few large plants in New York City except those which need water terminal facilities or have other special reasons for remaining. The greatest amount of manufacturing in New York City now is in the clothing and allied trades where the machinery is in rented buildings and not assessable as real estate and when assessed as personal property, usually escapes taxation because of the offsetting of debts.

Concerning this exodus of manufacturing plants from New York City to New Jersey, Hon. Michael Coleman, for twenty years Deputy and Commissioner of Taxes in the City of New York, testified as follows before the Joint Commission of the Senate and Assembly in 1893:

“In 1869, along the easterly and western shores there were large factories employing at one time one hundred thousand skilled workmen. The first case that came up was the Singer Sewing Machine Company. For three years they conferred with the Department as to what their taxes would be. Finally they moved to New Jersey and from that time up to the present they have been going almost every year, and today there is only one large establishment that was here at that time, and that is Hoe’s establishment.”

LOCAL OPTION AS TO THE MANNER AND SUBJECTS OF LOCAL OPTION.

The science of local taxation is now in process of development, and, in order that its growth may be facilitated and the effects of various policies demonstrated by actual experience, it is desirable that local taxing districts

shall have a degree of freedom to make proper classifications of subjects of taxation, and authority to choose for themselves, for purposes of their own local taxation, the class or classes of subjects which to them shall seem wisest. They would, of course, be required to obey the constitutional requirements, that "all taxes shall be uniform upon the same class of subjects within the territorial limits of the authority levying the tax and shall be levied and collected under general laws." And they shall be restricted in their choice of subjects to those not exclusively reserved for State taxation. Cities, counties and boroughs ought, however, to be expressly authorized to classify the various items which constitute real estate, as, for example, mineral rights, surface site value, dwelling houses, factory structures, trees and fences; and should be expressly authorized to determine, by popular vote which class or classes should be taxed for local purposes.

A good illustration of the practical educational value of local experiments is the impetus which Pennsylvania's liberal policy towards manufacturing has given to movements for the improvement of the tax laws of other States. Students of taxation are almost everywhere exhibiting an interest in the growth of our manufactures, which growth they attribute to our wise policy of not imposing super taxes on them, and are contrasting the folly of their own States which tax the stock in trade, materials on hand, and machinery of manufacturers; with the wisdom which Pennsylvania has shown in raising the bulk of her local city and county revenue by direct taxation on real estate.

The result of the experiment, made possible by the local option which is possessed by the several States of the Union, will be to eventually perfect the tax laws of all the States; by the well known evolutionary process of the survival of the fittest, and in the same general way, successful city and county experiments will enlighten

and inform other nearby cities and counties of this Commonwealth and thus enable us to continue to keep our light shining a little in front of the next.

DEVICES FOR SECURING EQUALITY IN THE ASSESSMENT OF REAL ESTATE.

Real estate is not only the chief subject of local, City and county taxation in this State, but it is also the foundation to which the burden of indirect taxation gravitates and is eventually shifted. In order that the directly imposed portion of this burden shall not be so distributed as to oppress the weak and discourage honest enterprises, it is essential that real estate assessments be equal, that is, that each property be assessed at the same percentage of its actual value as is other property. To accomplish this the assessors must not only be competent and disinterested; they must also record their work in forms which will disclose inequalities; and these itemized records ought to be printed and published in convenient sized pamphlets so that the assessors, and officials who supervise the assessors' work, may have the benefit of the intelligent criticism of the largest possible number of interested citizens.

In the tax assessment records of the Pennsylvania cities of Pittsburgh, Easton and Chester, are set down not only the assessors' opinions of the lumped value of each parcel of real estate, but also their separate estimates of the site value of each parcel of land. In Schuylkill County the value of the mineral rights, of the artificial improvements, and the site value of the surface area, are all separately set forth. This method of bookkeeping is no hardship to a competent assessor. The only additional work it requires of him is the manual labor of writing down a figure which he already has in mind, for when he decides upon his valuation of a parcel of real estate, he necessarily considers the advantages of the location and decides on the site value of the land, as well as the cost and

character of the artificial improvements, and the extent to which their presence increases the value of the property as a whole. If any assessor fails to make these calculations he is neglecting his duty, and if any assessor is unable to make them he is not a competent man for the position.

A separate statement of the site value of land is now required in all the cities and boroughs of New Jersey, Massachusetts, Minnesota, Indiana and North Dakota; in several of the Canadian provinces and in all the largest ten cities of the United States, except Philadelphia. The tax lists are printed and published in Ohio, New York City, Chicago and a number of New Jersey cities and towns. The Department of Taxes and Assessments of New York City has also published an atlas containing land value maps of every parcel of land in the city limits. These maps contained the estimated value per foot front of a normal sized lot in the centre of every block and from these estimates the valuation of particular parcels of land is calculated by means of various formulas which have been worked out by real estate experts.

In order to ascertain the opinions of tax assessment officials who have practical first hand knowledge of the utility of keeping records of the value of the land as well as the lumped value of the properties as a whole, the Tax Reform Association of Pennsylvania addressed a circular letter requesting information and opinions from the chiefs of real estate tax assessment departments of every important city where we knew the plan to be in operation. We received replies from Thomas G. McMahon of the Board of Assessors of Pittsburgh; James C. Forman, Assessment Commissioner of Toronto, Canada; G. L. Fort, City Assessor of Minneapolis, Minn.; S. J. Hill, City Assessor of Fargo, N. D.; Frank S. Crane, Chairman of the Board of Assessors of Springfield, Mass.; Robert L. Volk, Clerk of the Commissioners of the Assessment of Taxes in the City of Trenton, N. J.; Wm. P. Richards,

the Assessor of the District of Columbia; Henry W. Buxton, Clerk of the Board of Equalization of Taxes of New Jersey; J. P. McLeod, Assessment Commissioner of Hamilton, Canada; Martin J. Ryan, Assessor of Buffalo, N. Y.; Frank B. Schutz, Tax Commissioner of Milwaukee, Wis.; Walter H. Nevills, Chairman of the Board of Assessors of Yonkers, N. Y.; William J. Reardon, Clerk of the Board of Assessors of the City of Lowell, Mass.; Washington Dodge, Assessor of San Francisco, Cal.; Stephen Grant, Assessment Commissioner of London, Ontario; Oscar Leser, President of the Appeal Tax Court of the City of Baltimore, and Lawson Purdy, Esq., President of the Department of Taxes and Assessments of New York City.

These letters are now in the possession of the Finance Committee of the Councils of Philadelphia. We have printed extracts from them in a pamphlet, copies of which will be furnished to the members of the Committee. These officials, all of whom have had opportunities to observe the effects of the separate valuation of land in actual practice, are unanimous in recommending it. They say that it conduces to equality; makes the assessors more careful, and simplifies the work of correcting errors and of revision generally. Mr. Purdy, the Chief of the New York Department, whose letter is a typical one, says:

“The separate statement of the value of land in the assessment of real estate was ordered by an amendment to the Charter enacted in 1903. It has met with universal approval. I have yet to hear any criticism. It conduces to accuracy on the part of the assessors, and it greatly aids our Board in considering applications for the reduction of assessments. We always ask the applicant whether he objects to the value placed on the land or the value placed on the buildings. The answer to this question raises the proper issues. In the event that the building is assessed higher than others of like class, it is easy to grant redress. If we find that the entire class to which the

building belongs is over assessed, relief is given in the particular case and corrections are made wherever practicable, and appropriate instructions are issued for the assessment for the following year.

"I have not the slightest doubt that the separate statements of the value of land is absolutely essential to the proper conduct of an assessing department and that the widest possible publicity is of great value.

"I have been frequently informed by real estate men and lawyers that the work of the Department grows in public favor and esteem every year. At one time it was common to hear the remark that assessors merely guessed at values. Today it is very generally understood that assessments are the result of a careful system and the public is proportionately generally better satisfied."

The reason the plan conduces to equality is because it makes comparisons easy and instructive. Land valuations when they are separately set down can be compared with the valuations of neighboring land, because the price for a lot of land as sold is a good indication of the value of neighboring land, although it furnishes no clue to the value of a neighboring building. Buildings can be compared with similar buildings in other neighborhoods. Where the valuations of land and buildings are lumped together intelligent comparisons becomes impossible.

There is today a growing, world-wide appreciation of the fact that the laws which most intimately affect business prosperity for good or evil are those laws which you are now engaged in studying and improving—the laws which designate the manner in which the State and local public revenues are obtained. We believe, therefore, that the work of this Commission is the most important public work now being performed in this Commonwealth.

If we bear in mind the extent of our area, population and accumulated wealth, the \$115,000,000 which we annually raise by State and local taxation does not

appear to be such a very great sum, but this sum could be so injudiciously imposed as to repel and drive away the valuable business enterprises and thus dry up the sources of our prosperity, or, on the other hand, the General Assembly may adjust it in a sensible, business-like way, so that the burden will not impede the triumphant progress of our "Ship of State" any more than does the ballast which is always carried by vessels that are built to win great races. Misplace your ballast and you will wreck the ship. Place it judiciously and she will stand up against a gale.

Q. Didn't you get yourself down almost to the single tax idea?

A. I don't think so.

Q. Don't you limit yourself practically to the tax on land, because you exempt manufacturing interests and the money at interest and mortgages, and by a process of elimination you exempt practically everything except land.

A. The single tax idea is that the unimproved land should bear the whole burden of taxation. My theory and the theory of Benjamin Franklin is that it does bear the whole burden of taxation, but my proposition is that we should distribute it in such equal manner as the law now requires. Equality of assessments are now required by law, but the trouble is the machinery for bringing it about is imperfect.

Q. Before we get away from the question of real estate, let us get down to the subject as to what other subjects should be taxed according to the ideas of your association besides real estate

A. Our idea is that the State should derive its revenue from sources independent of those which are used to raise local revenue—entirely independent.

Q. Such as what?

A. Such as taxes on mineral land, railroads and public service corporations—telephone and telegraph lines. Accurate assessments of mineral lands are impossible by the

assessors chosen in the present manner. Such properties should be assessed by experts who are paid salaries high enough to command the services of men with the requisite technical knowledge and skill, and they should be employed, not for a few weeks at the triannual assessment, but continuously, to put a value upon the mineral properties of the State, and the State's own treasury ought to profit by that taxation, independent of the local government. The mineral rights that lie beneath the surface—I think taxation of that sort of property ought to go into the State treasury.

Q. Take a county like Schuylkill, where it is largely a mining section, how would the county itself be supported if it gave to the State all the income from this source?

A. The fact that there are minerals beneath the surface does not detract anything from the usefulness of the surface. I think the counties should be permitted to derive their support from whatever source they pleased.

Q. Would you let them tax manufacturers and money at interest?

A. I would let them do anything they wanted to. I know they would learn by experience that it would be an unwise thing to do.

Q. You don't mean to argue that these subjects should be exempt from all tax, and that it should be limited to real estate?

A. I think the local government should be free to raise their local revenue in any way that seemed wisest to them, but I think there should be a general law providing an up-to-date method of valuing real estate, as is done in New Jersey; that is, requiring tax bills to be itemized, and requiring the valuation of the land to be set forth separately, so that we can compare them when we fail to see inequalities.

Q. How would you value the property of public utility corporations which extend from one county to another. What standard would there be for valuing that property?

A. The property of public utility companies ought to be taxed as a going concern, and not by the local tax districts through which they extend. It is proper that the State should derive the revenue, and that they should be a subject of State taxation. What you want to get at is what that property is worth as a whole going concern. Some indication of what it is worth is what it sells for; the parts into which it is divided, or what the stock sells for. The value of the stock and securities is evidence of what the property is worth.

Q. You have given this subject considerable thought; what is the consensus of opinion to-day—that the tax should be based upon ability to pay?

A. In a sense that is true.

Q. I am asking as the result of your reading and your observation; that it should be based upon ability to pay independent of any particular class of property?

A. A just rule would be that the people should pay taxes in proportion to the benefits which they derive from the treasury into which they pay taxes.

Q. Then the personal property tax would be elementally an honest and just one?

A. If it were paid by the owner of the property, but it is not. When you tax a man who owns a million dollars worth of mortgages you are not taxing him, you are taxing the real estate owners.

By the Chairman:

Q. That isn't generally true throughout the Commonwealth, is it?

A. I think so.

By Mr. Brown:

Q. I think it is largely true in the City of Philadelphia more than in the counties. My experience has been in the counties that the lender is the man who pays the tax.

A. It affects the money market, which is determined by

competition. A tax on mortgages affects the amount of money available to the borrower. Money is fluid, and will flow from those places where the lender has to pay to places where he can make the borrower pay the tax.

By the Chairman :

Q. In Lebanon county the tax isn't taken into consideration in making a loan. The man who desires to invest his money in mortgages simply does so because he is attracted by the higher rate of interest, and while there may be several isolated cases, I think it is pretty generally true throughout the Commonwealth that the man who invests his money—that is to say, the mortgagee—pays the tax, and not the mortgagor.

A. It is this way: The amount of interest which I charge is as much as I can get, and the amount which I pay is as little as I can. The effect of the tax is on the money market. A tax of four mills will diminish the amount that is offered, and will thus affect the rate of interest paid by the borrower, and the result is that the people who borrow money pay about five mills more than they would otherwise have to pay.

By Mr. Brown :

Q. It was argued here that you don't get a fair return of personal property. I call your attention to the fact that in Pennsylvania last year there was more than a billion of dollars of personal property returned and money at interest and six hundred thousand dollars of corporate bonds, etc., and that the taxable real estate of the Commonwealth was a little over two billions. Would that in any way alter your opinion that one-half of the value of the real estate had been returned for taxation?

A. There is no doubt but what you can raise money from personal property, but the point is it is not equally raised. When you get at the actual facts, as Mr. Eschleman did in the case of the defunct trust company, you find that only 5 per cent. is returned for taxation. Mr. Eschleman is

evidently an efficient and energetic public official, but if he succeeds in doing in Lancaster what he is trying to do, he will be accomplishing a very great injury to Lancaster county. He will drive all the moneyed capital out of that county. Lancaster county can easily transfer its money to New York banks. The reason that more money is not driven out of the State is the fact that the law is not enforced.

Q. I understand the money he is after is the inactive money, not the money that is put into enterprises, but the money that is deposited and liable to lie there, drawing 2 or 3 per cent.

A. The money that is drawing two or three per cent. is not lying there idle. That money is being used to further the interests of the trust company. It is in circulation. It is not lying in idleness.

Q. Suppose that same money is being used by a particular trust company, promoting the business of the company, and that trust company is able to pay 30 per cent. per year dividend on that money. Do you consider it fair that it should get 30 per cent. on the money that is deposited?

A. The reason why trust companies and banks are able to earn 30 per cent. is because the taxation of such institutions makes it unprofitable for the little ones that would be the most useful in the country districts, and enables the larger ones to monopolize the business. If you remove all taxes from monied capital, institutions of that sort will spring up all over the State. They will be as numerous as they are in Scotland, Canada and other countries where they are not taxed. They will be a great convenience to these people, and will facilitate business and help the general prosperity of the country.

Q. How are you going to reach these institutions. Certainly these companies that are able to earn 30 per cent. —a trust company that handles other people's money that is able to earn 30 per cent. is not like a manufacturing

corporation. Is it your thought that that company should pay the same tax as other people pay?

A. That company should pay tax on the same basis as other citizens pay on the real estate they own, and on the personal property they own. You cannot pick out the ones that earn 30 per cent. and subject them to a different tax from what you impose on those which earn the ordinary rates of profit. The tax must be uniform. The fact that some institutions do make these extraordinary profits simply proves that they are exceptionally well managed, and it is a proper recompense which they should have for a great service rendered to the general community, because the function of a bank is to loan money to people in the community at times when they need it; put it in the hands of those who have use for it. That is a very important function, and it is a very desirable thing to have institutions of that sort. I know of a case right here in the City of Philadelphia, in the southern section, where a small trust company was opened, and the business men of the neighborhood had a celebration and called out the band. It was such a good thing for them, even in the City of Philadelphia. There are many, many country districts that would be immensely benefited by the establishment of such institutions, that cannot possibly carry on business because on account of the tax, no matter how slight it is, it is the difference between profit and loss.

By the Chairman:

Q. Wouldn't you be charged with having a great many wildeat institutions under those conditions?

A. No, I don't think so.

Q. Under your theory, if you had a dozen springing up all around that one place, wouldn't there be a tendency toward demoralizing the financial interests of that community?

A. I don't think so; not where such institutions spring up in response to a demand for their services. Where you

give them an artificial stimulus it might have that effect, but where they are the natural outcome of a local demand for their services, their growth would be normal and healthy. They ought to be permitted to do business wherever they find business profitable, and I think you ought to permit sound and substantial institutions to have branches.

By Mr. Brown:

Q. Your folks appreciate that the demand for land—the constantly increasing demand for land—increases its value. The supply and demand governs this as well as everything else. That creates in a way a land monopoly. You tax that. That is a natural condition, or a social condition. What is the difference between that and the manufacture of oil? Of course, the demand regulates the price, but it all tends to a monopoly in oil. Why shouldn't the manufacturer of the oil pay just as much for his artificial monopoly in proportion as the man who owns his land pays for his natural monopoly?

A. We are not asking you to tax monopolies.

Q. I don't mean to tax monopolies, but the increase in values. What is the difference in your mind between a natural increase of the land and an artificial increase of the manufactured article?

A. The value of anything is determined by supply and demand—the desire of the buyer to get a thing, and the difficulty in getting it elsewhere, and by the desire of the seller to get what he gets in exchange. That is what determines the value of everything. The law of this State says that people shall pay taxes in proportion to the value of their real estate, and I am proposing a way to enforce the law. For example, suppose I own a lot in Philadelphia and it has one hundred thousand dollars added to its value by public improvements, paid for out of the public treasury. Why shouldn't my assessments be increased one hundred thousand dollars? If the general improvement of

the community makes my property more valuable, my point is that the law requires that I should pay tax on my property in proportion to its value. If by reason of a boulevard or a parkway or a subway or any public improvement my property is increased in value, the assessor should take notice of this increase, and should assess my property at the same percentage of its value as they assess the dwelling houses occupied by poor people. The point is that here is a way in which you can do that better than the way we are now doing—a way in which these inequalities will be immediately disclosed. We do not contend that these inequalities are due to fraud or crookedness. It is simply that the method of doing business is not up-to-date.

Q. Your thought is by adopting these systems that have been in use in other cities and States, that you will thereby lessen the need for additional revenues from productive enterprises?

A. Exactly.

Q. I am satisfied we are coming to just what you say. Is there any other thought in your mind now?

A. I have here a copy of the tax law of Ohio, which requires that these tax lists should be published, the same as it is published in New York, New Jersey, Chicago, etc. This is the form that is used in Woodbury and Passaic, New Jersey; this is what they use in New York City, and this is the form which we have proposed for use here in Philadelphia (producing forms).

Q. Is there any city where this local option method has been adopted as a means of levying taxes?

A. No city of the United States that I know of.

Q. I mean in this country?

A. In the extreme northwestern Canadian provinces of Alberta and Saskatchewan they have a great degree of local option, but it is the general practice throughout Canada to separately value the land and improvements. Up in some of those northwestern Canadian provinces the

rate of tax on the improvements differs from the rate of tax on the land. Up in Easton, Pennsylvania, a local ordinance provides that to the value of the land should be added, in the case of factory buildings, not less than one-half the value of the structure, and in the case of dwellings not less than three-fourths. I do not know what their authority is for doing that, but I have the ordinance on my desk and that is what it provides.

Q. There is no system in existence in this country, I mean locally, where any county has been authorized to say what taxes shall or shall not be levied?

A. Not that I know of.

Q. That is the thought of your association?

A. Yes, sir. We offer it as a suggestion, which the Committee may take for what it is worth. I might state that Mr. Shearman says: "If anything in human experience as applied to methods of taxation is settled, it certainly is the fact that taxation upon personal property never can be made a success."

Q. Isn't it the general opinion of experts on this subject that Pennsylvania has a better system of taxation than any other State?

A. Pennsylvania is in the forefront of the United States. The tax system in Pennsylvania is better than any other State in this Union. Out in Ohio the Constitution requires all property to be taxed at the same rate. If you pay 4 per cent. on real estate, you must pay it on mortgages. The consequence is that almost everybody out there lies to the assessor as to the amount of their personal property, and nobody pays a tax except the trustees of widows and orphans, on personal property, and a few inexperienced or extremely conscientious people. A tax like that would be unbearable, and if it were enforced people would migrate immediately. How would you lend money at 4 per cent. if you had to pay all the income you got in taxes? In Pennsylvania a larger portion of taxes are actually raised from real estate than

in any other place. Here we do favor manufacturing enterprises. Our tax laws in this State are unquestionably better than those in any other State, but other States are coming up. They are profiting by our example, and are changing their laws to make them like ours. Now, we have got to move on and make our laws a little better yet. That is the reason why we are ahead—because we do raise a large proportion of our taxes from real estate; because we don't attempt to tax much personal property other than mortgages and judgment debts, the ownership of which can be traced by means of the records of the Prothonotary and of the Recorder of Deeds.

Q. Isn't the percentage of taxable personal property in Pennsylvania so far ahead of other States as to enable these tax experts to come to the conclusion that Pennsylvania has shown that you can practically tax wealth in its intangible form?

A. Pennsylvania has shown that by the exceedingly low rate we have here as compared with other States you can get more money by a low rate than by a high rate. The reason why we do reach so much of it is because our rate is much lower than other States impose, and because the personal property which we attempt to tax is the kind whose ownership is a matter of public record. For example, take the enterprises which you reach through the corporation itself, and the mortgages and judgment debts, etc., which you reach through the public records. Our taxes on concealable personal property are comparatively harmless, because no serious attempt is made to enforce them. I think Mr. Gratz said here today that he only knew of one man in all his experience who voluntarily came in and returned for taxation the stock of foreign corporations—only one man here in Philadelphia. That law is a dead letter.

Q. That is no reason why it should not be done if it is inherently right?

A. That is no reason why it should not be done, if it is

inherently right, but human nature is as it is, and you should take into consideration the limitations of human nature and try and build up your institutions according to the material out of which they must be constructed. An engineer in planning a building takes into consideration the amount of stress and strain which the materials available will bear. Institutions which would be adequate for a society consisting of angels would not do for mere mortal men who are not always actuated by altruistic motives.

By the Chairman:

Q. Why would it be impossible to tax personal property?

A. For the reason—— Just let Mr. Shearman answer that question. I will read what he says. He says: "If anything in human experience as applied to methods of taxation is settled, it certainly is the fact that taxation upon personal property never can be made a success. Taxes can be raised from personal properties, no doubt, for large amounts **are** thus raised; but that they cannot be levied with any reasonable approach to accuracy or equality is demonstrated not only by conclusive reasoning, but by the more conclusive fact that they never have been thus levied. It is not for want of earnest and long sustained effort that the failure of this system of taxation has come to pass. For centuries the effort has been made, and for at least six centuries it was backed by all the power of a Government which commanded the whole civilized world, and which armed its tax gatherers, not with the paltry weapons of oaths and penalties, but with the more substantial powers of indiscriminate search, the lash, the rack, the thumbscrew, the gridiron, and the cross. The Roman Empire fell to pieces under the pressure of this vain effort to reach personal property by taxation. The same thing was attempted at a later period in dealing with the Jews. It failed with them. They could be robbed and murdered, but they could not be regularly taxed.

"That which all the tremendous power of Rome in its

grandest days failed to accomplish, that which the infernal tortures of Spain could not accomplish, when it beheaded hundreds, burned thousands, and massacred tens of thousands, letting loose a brutal soldiery in a vain struggle to tax the Netherlands, American farmers are still apparently convinced that they can accomplish by distributing blank forms, and administering long oaths, and threatening penalties of 50 per cent. How far they have succeeded, Governors, assessors and Tax Commissions in New York, Ohio, Maryland, West Virginia and many other States have set forth again and again, lamenting the utter failure of the system.

“Gibbon mentions, quite as a matter of course, that fathers murdered their children, on a large scale, principally as a result of fear of the tax gatherers, that racks and scourges were freely used, that the approach of the tax gatherers ‘was announced by the tears and terrors of the citizens,’ and that false returns were punished with horrid deaths, as being both ‘treason and sacrilege.’ Savigny shows that the decurions, who governed the cities and were held responsible for the taxes, often sold themselves into slavery to escape the dreadful burden, but were dragged back to scourge their fellow subjects. Even a Massachusetts farmer could ask no greater efficiency than this.”

This is simply an example of the fact that you cannot do it, and where you must rely only on the oath of the man who owns the property, where he is the only person who knows what it is and where it is, if he can escape the tax by concealing it, he will conceal it, particularly if he knows that other people are doing the same thing.

By Mr. Brown :

Q. We have experienced in Pennsylvania that there is one-half as much personal property returned as there is real estate, showing there must be some honest people. Of course, you are looking backward. I think we ought

to look forward. Mr. Shearman is taking the dark side of the picture instead of the bright. Our people in Pennsylvania seem willing to pay the tax, and you experts are trying to find out why it is that our people seem willing to pay these large sums in tax on personal property. Of course, some do not pay it.

A. Mr. Gratz said there was only one man who voluntarily returned his foreign stocks. The taxes which you do collect are taxes on property the ownership of which can be traced, like mortgages, judgment debts and taxes on stocks collected by the corporation itself.

Q. Isn't the keynote to the whole situation, that when the people are satisfied that every man is contributing his share, they will all do it?

A. When they are satisfied that every other man is paying it, they will all pay it, but they will never be satisfied.

Q. Don't you in stating your position in regard to contributing towards the support of the State, think that men generally are honorable, because it seems to me if men are honorable they will pay their share providing the other fellow pays his?

A. Where men feel that they are asked to pay taxes which the majority are evading they feel that they are unjustly treated, and to protect themselves from the injustice they will meet kind with kind, and they will often go so far as to commit perjury. They feel like the man when asked by a highwayman to show his money, he will lie to the highwayman if by so doing he can get out of giving it up.

Q. Every man ought to contribute his share towards the support of the State, that is correct, isn't it? and wholesale exemptions are vicious?

A. Yes, but there is no legal or moral obligation, on manufacturers, for example, to assume a super tax, a tax which they pay in addition to the tax paid in common with other people.

Q. I am assuming the tax must be equal?

A. There are some subjects you cannot possibly tax with any degree of equality, and the wise thing to do is to tax those subjects which can be reached, that is to say, of which a very large proportion can be reached, and not to tax the kind that can be moved away.

Q. Let me give you a concrete illustration. You remember, probably, that this matter was all considered by Voltaire. Voltaire had a little farm, and his annual income was forty crowns, and they came to him and said, "Here, we have got you; we will tax you twenty crowns. Alongside of him lived a wealthy fellow whose income was a thousand crowns a year, and he paid no tax. When the man complained to him, he said, "Of course, I don't pay any tax; I am not a land owner; you are. You own the land, and you are in a different class from me." Suppose this man with his thousand crowns got his income from money deposited in a trust company, inactive money, not invested in manufacturing, but deposited in a trust company. Why should he be exempt, and the little farmer, his next door neighbor, be made to pay his tax?

A. He is not exempt. I do not propose that he should be. My proposition is that the man with the large income—what does he do with his income?

Q. He drives around in Voltaire's story with eighteen horses attached to a gilded coach.

A. Everything he consumes and uses in the process of spending his money comes out of the land, and the price that he pays for it includes the taxes that are paid on the land.

Q. Look at the personal benefit he gets out of the independent of that which he distributes around the neighborhood?

A. The system of taxation ought to reach that man, and my contention is that your system does not reach him. The taxes which are imposed upon his money are collected by him from the people to whom he lends his money. That

is, these taxes enable him to get a higher rate of interest. These taxes which he collects he does not always pay over to the public treasury. If his voting residence is in New Jersey, he puts the money in his pocket, and the effect of your tax on his money is to enable him to tax borrowers for his own private benefit.

WILMER W. CORNELL, County Treasurer of Bucks County, called.

By Mr. Brown:

Q. Have you any suggestions to make, Mr. Cornell?

A. I haven't any suggestions to make. I came to hear.

Q. What is your experience there as to the collection of personal property tax, moneys and interest, etc.?

A. There is a great deal that we do not get. It is not assessed.

Q. Why is that?

A. I think that is the fault of the assessors.

Q. What do you do to check them up?

A. Well, I really do not know. I have not been in the office long enough to know much about it.

Q. You have not got worked in yet?

A. No.

Q. Who is there here from your county who is familiar with it?

A. The Clerk of the Commissioners. He has been in office four or five years.

Q. Mr. Cadawallader?

A. Yes.

Mr. Brown: Suppose we ask Mr. Cadwallader some questions?

W. CADWALLADER, Clerk of the County Commissions
of Bucks County, called.

By Mr. Brown:

Q. Have you any suggestions to make to us as to any amendments to the present laws as to the collection of State revenue?

A. Nothing new at all. I am very much impressed with some ideas that have been suggested here that I have listened to, among them the appointment of the assessors by some authority other than having them elected. I think that is a great wrong to the assessment of the taxes, particularly.

Q. You think better results would be obtained from some other method of selecting assessors, so as to divorce them from their relations to the people?

A. Very much so. I think it is a very strong sample of favoritism.

Q. What do you do to check up the assessors after you give them their guide books?

A. That is when their returns come in?

Q. Yes?

A. We have them return all blanks, all their slips that are given them, and affidavits from all the taxpayers.

Q. Suppose the taxpayer does not make the affidavit; what do you do then? Do you follow them up?

A. Well, in some cases where they won't make any affidavit they make an estimate. They either make an affidavit to having no property, or they make an affidavit as to what they have. If they refuse to make an affidavit to any amount and won't make an affidavit to having none, they make an estimate.

Q. Do you suppose if these men were paid more you would get better results from the assessors?

A. Not if we had to take the same men.

By a Member of the Committee:

Q. If they were appointed by the Court and their compensation doubled and the appointment for four years, what do you think would be the effect?

A. I think the effect would be to get better men in many instances and much better results.

By Mr. Brown:

Q. Do you know of any case where they claim residence in other counties?

A. We have, yes. That matter was spoken about by Mr. Gratz, I think. I have in mind just one particular instance. He spoke of the taxpayers wanting to be assessed in the county in which they had their summer home. We have quite a good many people in our county who have summer residences there, and live in the winter time in the City here, and I have in mind one of our assessors who is rather more diligent than some others we have. He made an effort to follow some of those fellows, and they made no return to him and would not make any return to him, saying they claimed residence in the City, and in fact they never voted in our county. He followed them to the City and made inquiry and could not find they were assessed or paid any State taxes here. It seemed to me they were evading it at both ends.

Q. You never report any of those things to the Auditor General, I find, none of the counties?

A. No.

Q. Why ought that not to be done?

A. I don't know any reason why it should not.

Q. Do you think it would be more effective to have these collections made through the Auditor General's office, to have State collectors go around from county to county and do it?

A. The collection of the taxes, I think, is—I cannot say where there is any great advantage to be derived from changing——

Q. I mean the assessing?

A. That is where the main trouble lies, it seems to me. I do not know that the assessment of property could be done better by people outside of the community than it could by people living in the community.

Q. Providing they did their duty?

A. Providing they were the class of men who would do their duty and were fearless of being put out of office; and then the people in many districts seem to not make any effort—good people in the district—make no effort to elect a first-class man to the office of assessor. If they can get a fellow who will assess their property of all kinds just exactly as they want it, it don't make any difference if he is the lowest bum there is in town, he will suit them first rate, and they will elect him, one right after the other.

Q. The method of selection is not proper in such case?

A. No.

By a Member of the Committee:

Q. Have you ever attempted to prosecute anybody for making a false return?

A. Not to my knowledge.

Q. Not in the history of Bucks county?

A. I won't say that.

Q. To your knowledge?

A. Not to my knowledge.

By Mr. Brown:

Q. Have you any suggestions to make to the Committee as to any improvements that could be made? How long have you been in this position?

A. About four years.

By a Member of the Committee:

Q. Would not such a prosecution have a very salutary effect?

A. I haven't much doubt of that.

By Mr. Brown:

Q. What is your personal property return from Bucks County?

A. About \$46,000, the State tax is, I think.

Q. That is as to the receipts?

A. That is the receipts.

Mr. Cornell: Between eleven and twelve millions?

Mr. Cadwallader: Something like that.

By a Member of the Committee:

Q. What is the sentiment, if any, regarding the taxing of manufacturing corporations in your county?

A. Well, we haven't many of those—that is, to any great extent, and we do not hear much. I haven't much knowledge on the subject, and I do not hear much. The tax on automobiles is very much discussed.

Q. They favor taxing automobiles?

A. Very much so.

By Mr. Brown:

Q. You do tax some of them up there on general principles?

A. Well, that has been done, and very probably overdone, in that line. I am not sure about that. I do not know whether that is very generally approved in the way it has been done at all times.

Q. Have you ever gathered the sentiment in your county as to things that should not be taxed and other things that should? I mean in your general talk. You people come and go and they must talk that over with you about these subjects?

A. Well, you mean for State purposes?

Q. State purposes?

A. The taxation of anything that is not being taxed at present, you mean?

Q. Yes?

A. I have never heard of any——

Q. Or that things now taxed should be exempt?

A. No, I don't think people— I have heard no sentiment or no complaint on that score. The inequality of the assessment of properties, people come in constantly and complain, "Now, here I have got to pay State tax on so much money, and Mr. So-and-So 'doesn't.'" He has sworn in an affidavit that he has none.

Q. When a man comes in and informs you that he knows some person has more money than he returns, he makes his return, does he, so as to give you no chance to increase your estimate?

A. Yes. I have known instances where they made no return at all, and sworn in an affidavit that they had nothing. People come in and say they have no mortgages, or judgments, or bonds, or something of that kind, and they often swear to holding mortgages or securities of some kind that are valueless. A great many of them make that item quite large.

Q. Insolvent debtors?

A. Yes, sir.

Q. You have no way of finding out?

A. I cannot get at that. I do not know how, at least.

By a Member of the Committee:

Q. Would it not be well for the State to maintain a corps of officers to look after that?

A. According to that, I think it would.

Q. Some central head where all reports could be looked into and inspectors sent into each district?

A. That, I think, would be a good thing. I have no doubt at times there is a great deal of wrong done there.

Q. You were talking a moment ago about the inequality of taxes. Has this thought ever been expressed to you in talking to people over in Bucks county, the taxing of a mortgage on a piece of land and the taxing of the land also?

A. Yes, that has also been spoken of.

Q. How would you avoid that?

A. I never heard any good theory advanced to avoid it. It is generally objected to by the land owner paying taxes on the full valuation of his property, when he only has a very small interest financially in it. He probably has made a very small payment on a property of very considerable value.

Q. I suppose his argument would be that he should be exempt from paying taxes on that portion of the mortgage?

A. That is his argument, and he is the complainer.

By Mr. Brown:

Q. He is not supposed under the law to pay the tax. The tax is supposed to be paid by the man who owns the property and gets the interest?

A. He owns the property.

Q. Then the tax on the property, that he pays also, and he pays a tax on the mortgage that the mortgagee should pay?

A. That is what he claims to pay. He does not object to paying the State tax on the mortgage; that rate is not high and he doesn't object to that, but it is to paying taxes on the entire value of his property at the present rates.

GEORGE ALLEN, County Commissioner Delaware
County, called.

By Mr. Brown:

Q. You are County Commissioner of Delaware county?

A. Yes, sir.

Q. You have heard the talk on these several subjects; have you any suggestions to make to the Committee?

A. I have been down there for five years, and I have had mostly charge of it from the office. I have been there every day and haven't missed a day for five years and I have taken this up very carefully, and the only thing that I see to make the people pay is to give the power to the Commissioners to arrest every man that don't make a return, to make it compulsory, because if a man down in one of our wards, we don't know him, he might have a small house and he might have ten or fifteen thousand dollars, and it is up to the Commissioners to put 50 per cent. on him, and he might not think he has a cent, or he returned nothing. There is ten or fifteen thousand dollars gained there. The assessor ought to sit in certain places and make the people come to him and make a return right there to him. If I understand the Act right there are no provisions for the assessor to return the blanks to the Commissioners.

Q. What are they supposed to do with them?

A. I don't know.

Q. Mr. Eschner said the other day there are blanks printed and given out——

A. Supposing the assessor said, "I got the blanks and the law don't require me to fetch them to you," and he wouldn't fetch them to you, we have to send a man for them.

By a Member of the Committee:

Q. Have you ever come across a case like that?

A. No.

Q. They all return the blank sheet?

A. They all return it, but if it would be compulsory on the Board of Revision of Taxes, which we always get sworn down in Delaware county; we always take under the Act of 1838 and get sworn in as the Board of Revision of Taxes, and if they were compelled to arrest every man or woman that had any money out at interest and did not make a return, I think you would get a great deal more money in the county of Delaware or any other county; I know we would.

By Mr. Brown:

Q. There is the trouble. You would have to know something about people before you could take such drastic action against them.

A. The only thing, that they did not make that return.

Q. Failure to make the return?

A. Failure to make the return and make an affidavit.

Q. How would a law which gave the County Commissioners the right to have these taxables come before them and be put under oath and cross-examine them be received in your county?

A. If that were given to the Board of Revision of Taxes, let the Board of Revision of Taxes sit at certain places, and let the assessors sit at certain places and make the people come there.

Q. How would such a law be received in your county; do you think your people would acquiesce in such an Act?

A. I should think so. I do not see why one man that comes to the assessor and gives a return willingly, who takes an oath to the amount of money he has, and others who may have money escape. If it is compulsory to arrest a man for not making a return you surely would have a return from every man in the county.

Q. Have you many men in your county who claim residence elsewhere?

A. Some of them are going to do this; going to claim they make a return and then before the appeal draw their money out of bank and then claim they have no money, but we are rid of those fellows.

Q. The payment by the bank of the average deposit of such a man would reach that, would it not?

A. Yes, that would, but if every man would be compelled to make that return, I think we would get a great deal more revenue.

Q. Are there any other weak spots in the law that you think might be strengthened a little?

A. I don't see anything the matter with the law, if you make the people make their returns. If everybody would make a return it would be compulsory upon them.

Q. You have never had any prosecutions in your county for failure to make proper returns, or anything of that kind?

A. It would be hard to get at it. I don't see how we could get at it.

Q. Do you have any means of getting any information by which you could help the assessors to locate the people, the taxables. Do you make any independent inquiries yourself?

A. Yes, we go around. In the Recorder of Deeds office a whole lot of those mortgages are indexed in there and returned and they are only for five or ten days.

Q. Your returned judgments and like that you get; I do not mean that. You are a man of affairs in your county, and you have general information about the people in your county. Do you give any suggestions to your assessors as to the liability in your opinion of certain people who pay taxes?

A. Yes, everyone we possibly can, but there are a whole lot of them you think wouldn't have any money that have

money, and there are a lot of people that haven't any money that you think have money out at interest and don't make any return at all. If the assessor makes the return he makes a return of nothing, thinking they have nothing.

By a Member of the Committee:

Q. What is your idea about the selection of assessors?

A. I should think the assessors should be appointed by the Board of Commissioners, for this reason: they have charge of the taxes and I think they would pick out people capable of doing that; they have the handling of all the taxes and they would know the people and use good judgment in that. If the Court appointed them, they might appoint some very intelligent men, but not capable of estimating on real estate, and one thing or another, like that, and not have a man to assess in his own district.

Q. They might be, in a measure, influenced by an appeal from one of their appointees?

A. I think it would be a good idea. Two or three times we have taken it out of the assessor's hands and went around and done it ourselves.

Q. Was there any difference substantially in the result?

A. We raised about eleven million dollars in assessment over their heads. We are doing it now today. I left the Board down at Leiperville today to come up here.

·ADJOURNED until Friday, February, 25, 1910, at eleven o'clock A. M.

Public meeting of the Committee, held at Room No. 496, City Hall, Philadelphia, Pa., February 25, 1910, at 11 o'clock A. M.

Present: Gabriel H. Moyer, Esq., Chairman pro tem., William H. Keyser, Esq., William C. Sproul, Esq., James F. Woodward, Esq., David Hunter, Esq., of the Committee, Francis Shunk Brown, Esq., Counsel.

Mr. Brown: It is hardly necessary to state the purposes of the meeting, as we are all familiar with them, and we might just as well proceed to hear those who are here to help us. Mr. Frank H. Caven, President of the Real Estate Brokers' Association, of this City, is present, and we would be glad to hear from him.

Mr. Caven: We thank you very much for being accorded the privilege of coming before you. We come as representatives of the Philadelphia Real Estate Brokers' Association. Our members in turn represent the owners of about 100,000 properties in this City, and by reason of said ownership we are taxpayers. Our Legislative Committee, Mr. Dallam acting as Chairman thereof, has prepared certain thoughts upon the question of taxation, and with your permission Mr. Dallam will now present the same. It has been approved by our Association.

Mr. David E. Dallam: I would rather speak extemporaneously, but rather than take up the time of the Committee I have put this in writing.

At a special meeting of the Philadelphia Real Estate Brokers' Association, held on February 23, 1910, the following preamble and resolutions were adopted:

"Whereas, The Association is gratified at the receipt of an invitation for its officers to appear before the Joint Committee of the Senate and House of Representatives of

the Commonwealth of Pennsylvania on Revenue, etc., and are pleased to accept the same; and

“Whereas, the laws concerning the revenue of the State and the counties are so allied that whatever effects the revenues of the State may affect the revenues of the county; and

“Whereas, The existing laws now limit the authority of a county to raise money practically only by taxes upon real estate, it is the opinion of this Association that the taxes upon real estate in the County of Philadelphia have reached such a limit that any increase of the same would be most unfair and unjust until all other species of property are equally taxed; therefore, be it

“Resolved, That the officers of the Association and the Committee on Legislation be, and are hereby instructed to appear before the said Joint Committee on February 25, 1910, or any subsequent date, and to urge upon the same the adoption of the following suggestions as to the changes in the tax laws of the Commonwealth:

“First. State taxation to be limited strictly to the taxation of foreign and domestic corporations. Counties to have no right to tax corporations as such, but to have the authority to tax the physical property of such corporations situate in their respective counties. All other taxation now made and collected by the State, including collateral inheritance tax, is hereafter to be made and collected by and for the benefit of the counties wherein the same may be collected. If the taxation of corporations is insufficient to meet the necessities of the State, then the State to make direct taxation upon each county, to be a certain percentage of the amount of taxes collected by said county under the foregoing authority.

“Second. All property, real and personal, shall be taxable by the counties in which the property is situated and located. Real estate exemptions shall be limited to burial lots in which interments have actually been made,

and to religious, charitable and educational institutions, in proportion as they are free. All personal property to be taxed, except merchandise in process of manufacture or held for sale by licensed manufacturers or dealers. Furniture, pictures, horses, carriages, automobiles, books and furnishings to be assessed against the person in possession of the same, but each individual taxpayer might be allowed an exemption of, say, \$1,000. Where the personal property consists of stocks or bonds of a corporation which pays taxes direct on the same to the State, such stocks or bonds shall be exempt from county taxation, as also mortgages on real estate where such real estate is taxed at its full value by the county in which it is situated.

“Third. Each and every individual, firm, limited partnership and corporation engaged in a legitimate business or profession, having an office or place of business for the transaction of same, shall pay a license to the county in which said office is located.”

My associates and myself appear before you as a Committee from the Philadelphia Real Estate Brokers' Association, of which Mr. Frank Caven is President, and I am Chairman of the Legislative Committee. The present Association is only of about two years' standing, but we have to-day about 160 members, each of whose first requirement is that he shall be a licensed real estate broker. We claim we represent the payers of at least 100,000 tax bills for the year 1909, and more than that number for the year 1910. We acknowledge primarily that we are more interested in taxation in the City of Philadelphia than in the State, but in the resolutions which I present, we show that we do not wish to deprive the State of its right to collect taxes, but we wish to increase the sources from which the county may be able to raise money for its own purposes. Following out this idea, our Association passed the following resolutions, which I will now read:

Taking up the first resolution, I would say that in our Association of 160 members, we have, of course, various ideas as to how our views can be put into effect. Personally, I have my own views, and the other members of the Committee may have their views, but we don't desire to take the time of your Committee in expressing our individual opinions unless you shall request it, but the resolution as offered covers the whole ground. We don't wish to deprive the State of its revenues, but personally I feel confident that if the taxes on corporations, foreign and domestic, are made uniform, equitable and fair, that there will be enough money raised by the State direct from them for all State purposes. The duty of a State is simply to protect life, liberty and property, and although we have gone beyond that and have assumed a series of what I call "State Socialism," that is, public education, State supervision of health and the care of the indigent and defective classes, being very generous in appropriations to that end, yet, I still think, that under a proper law, the State will have money enough from its corporation tax to pay all its expenses. If it has not, then it can make its direct tax upon each county, each county paying its proper share, being a certain percentage of what each collects for its own purposes. Personally, I am a firm believer in the home rule and ability of each county to determine what are the best subjects within its borders from which to raise revenue. As a Philadelphian, I don't think I know enough about the minerals in Carbon or Schuylkill counties, or the oil in Venango county, as to the best means of raising taxes on the same, but I prefer to leave that to the citizens of those counties, and all our Association asks you is that Philadelphia may be allowed to tax property within its borders in an equitable and just way, as it may see fit, and we stand ready, if the State revenues are deficient, to make good such deficits in a just proportion.

Now, as to the second suggestion we make. Give us the

right to tax personal property, and in that way we will have more than enough money for our purposes, so that we will even be able to reduce our taxation on real estate.

Our third resolution, which we propose, increases the number of licenses. I see at once the means of raising for the County of Philadelphia at least two million dollars additional income. At present, licenses are only required from tavern keepers, brokers and storekeepers. No professional man pays a license; no manufacturer pays a license. Personally, I cannot recognize why a real estate broker should pay \$100 per annum, whereas a lawyer, who has four times the income, pays nothing. Neither can I recognize why a manufacturer who, in the general opinion of the public, makes more money than the dealer, is exempt from a tax, whereas the dealer, who only sells the goods, is compelled to pay one. I disagree with Mr. Albright, who spoke here last week, that a tax on manufacturers would drive manufacturers away, and quoted the example of New York City. In answer to that, I say, that instead of the manufacturers in New York City decreasing, they have increased, and to-day that city, in spite of its large taxes, is the largest manufacturing city in the country. I don't propose an extravagant license tax, but a minimum one, and the greater number of taxpayers the less in proportion each would bear. There is nothing in this idea that taxing manufacturers drives them away. When a manufacturer locates in a place, there are three questions to be considered. The importance of these questions varies with each man's particular business. They are labor, transportation facilities, and rent. A large manufacturer, located in the Philadelphia district, told me that they brought in seven tons of crude material to one of finished material that they put out, and therefore transportation with them was of first importance. With another manufacturer, labor would be of first importance. A certain manufacturer, who left this City because he could get cheaper rent in a neighboring town, says he has never

regretted anything so much in his life as his moving, because he has one continual trouble with his labor. The question of taxes on a manufacturing plant is not one-tenth of the rent, and is the last thing they consider. To-day Pennsylvania is the best labor market in America. Along the Delaware we have the cheapest land along the Atlantic seaboard. Courtauld & Co., the English crepe manufacturers, after having examined every town from Fall River along the coast as far south as Savannah, have located at Chester, where, I think, they paid for land \$600 per acre and have any quantity of unskilled labor at their command. There is no reason, therefore, why manufacturers should be exempt from a tax if it is a minimum one, as I propose it should be.

In the second resolution, in which I except from taxes, as personal property, merchandise in process of manufacture and in stores, which property was suggested to be taxed by Mr. Gratz, I do so because if a merchandise dealer or manufacturer pays a fair license, which license, of course, can be computed on the amount of his sales or the amount of capital invested, that license tax would represent the property in his possession, so, therefore, there should not be a double tax. In the same way I exempt mortgages upon property which has paid a full tax to the county, for the simple reason that that is double taxation.

Now, the experience of the tax office and trust companies, who have more experience with estates than the ordinary broker, is that of invested capital in the City of Philadelphia, about one-fifth is in real estate; four-fifths in personal property, and of that four-fifths in personal property, fully 80 per cent. is in stocks and bonds of Pennsylvania corporations. This would leave only about one-fifth of invested capital in the State of Pennsylvania invested in outside corporations.

The rates of interest on good securities in other States have so declined that a man can invest his money now in

Pennsylvania and obtain for it the equal income that he could in any other place except in speculative securities in the mining States. Therefore, in taxing personal property, instead of having four pages of questions to answer, we could simply put one question to the taxpayer and ask him to swear to the same, the same as we now ask him to swear to four pages; this one question would be, What was your income for the last year from all property you had outside of Pennsylvania? Except in the case of a very rich man, this amount would be found to be comparatively small, and a man, with a point blank question put to him under oath, is not apt to perjure himself for the small amount of money which the truthful answer to such a question would compel him to pay. The great objection to personal returns is the publicity it gives to one's private business. Personally, I am optimistic, and believe that 95 per cent. of the world are honest and truthful, but everyone hates to disclose his private affairs, but if the State properly taxed all State corporations and those were exempted from taxation in the counties, the one question I have put above I think will be nearly always answered truthfully by the taxpayer.

I would like to go beyond the authority vested in me by the resolution, and suggest personally to your Committee, if possible, to formulate one uniform method of assessment and collection of taxes throughout the State. You, gentlemen on the Committee, from what I call the "rural counties," know the difficulty which we, as residents in Philadelphia have, being unacquainted with local laws which are so different throughout the various counties, that it is impossible for us, by correspondence with one officer of the county, to obtain a tax bill on a country property which covers all the taxes therein levied. We have to write to the county collector, the township collector, the borough collector, and the school tax collector, and possibly others. I ask that you in your report to the State you

urge a suggestion that some plan be proposed by which all taxes payable in a county shall be payable through one collector, and that one person, presumably the County Treasurer, be the only party to have the authority to lien for the non-payment of taxes or commence proceedings for the collection of the same.

By Mr. Brown:

Q. When you refer to the local real estate corporations, what have you in mind that is not taxable, the local real estate? You request that all local real estate or corporations should be taxed locally?

A. Yes, we tax them for you, we tax physical property, as they are doing now. We do not tax anything but the real estate.

Q. What is there not taxed that you would tax, now?

A. I do not see that there is—what I am looking at primarily is the State should tax every corporation. Now, in the first place, we set forth that the charter charges of manufacturing corporations eliminated——

Q. Yes, but not its local real estate?

A. No, not its local real estate.

Q. Now, direct your mind to the tax of local real estate of corporations?

A. Yes, very good. We tax that now. In the first place we want to raise money for the State. That is the first question.

Q. Now, with railroad companies, they pay tax on all their local real estate in Philadelphia except their water tanks and their roadway?

A. Yes, I suppose they pay on the terminal. They do not pay on the ground.

Q. They pay on everything but the roadway and the water tanks.

A. Does the tax on terminal cover that?

Q. Yes.

A. That is all right. We do not complain of that.

Q. The telegraph companies are not exempted, and the trolley companies pay on everything but their power plant and roadway. Would you tax them?

A. No, I would not tax that. I can not follow your thought. Primarily, you want to get State taxes. Now, tax them. In the first place, that opens a discussion on the question of what is a corporation. What is the object of incorporating? There are only two objects that I know, that is insuring lives and public utilities that the individual cannot do. You tax them for that incorporating. You give them more than you give me. I am talking about State tax. You get your money from the State tax and give us the right to tax personal property here, and we will get our income.

Q. I am not talking about personal income. I am asking you what real estate corporation that is not now taxed, you would tax locally?

A. If they do not tax them now, it is their error. I understand that with the exception of one or two, we already tax the real estate corporations.

Q. Then there is now nothing——

A. Certainly not; I am not complaining of that.

By a Member of the Committee:

Q. What do you understand the State returns are from the counties now?

A. Three-fourths of what you get. You get \$4,000,000 and return \$3,000,000.

Q. That would not make a very great difference, then, in your receipts. Where would you get the two millions of dollars out of the license tax?

A. Out of the license tax we would get \$2,000,000 at once.

By Mr. Brown:

Q. Just one other thought on taxation of personal property. You speak of taxing that locally?

A. Yes, sir.

Q. Then you say in another section there that you would not tax locally what the State already taxes?

A. Of course, we ought not to do that.

Q. What personal property is there you would tax locally that the State does not tax?

A. In the first place, give us our license tax——

Q. Do not wander from my question. I am talking about the personal property?

A. I am talking about personal property in storehouses and warehouses. I am opposed to what Mr. Gratz says.

Q. Then the personal property that the State does not tax, that you would have taxed, would be the goods in the stores?

A. No, I except that. The personal property we would have taxed is the furniture, pictures, paintings, and so on and put back the Act of '88. That would accumulate at an enormous extent. We have houses in which there are \$200,000 worth of personal property; the State gives them protection.

Q. Another subject would be automobiles?

A. Of course, we only tax now carriages for hire.

Q. What other personal property have you in mind?

A. That covers it. Then we tax personal property held by corporations, here, for instance, taking your banks, you tax them for their life, we tax them for the physical property.

Q. You tax them anyhow?

A. No, we do not. We do not tax their investments.

Q. You are going to tax their security and investment?

A. Undoubtedly.

Q. I understood you to-day you would not tax locally what the State taxes generally?

A. No, the State won't do it, if you give it to the State.

Q. You tax them on their charter privileges?

A. We can not tax them as a corporation; we tax them on their property.

By a Member of the Committee:

Q. But in order to get all of the personal property tax instead of three-fourths?

A. To delegate to the county, and let us tax in the county what we think proper.

Q. Have that right reserved unto each county?

A. Of itself. If you can not get enough out of the direct taxation of corporations, then you appeal to us. You say, "We want 5 per cent. of the tax you collected last year."

Q. Instead of the revenue flowing directly into the State Treasury, you would have it flow indirectly from the county tax?

A. Yes. There is only one system of taxation here.

Q. How would the State derive its revenue.

A. From equal taxation in all corporations.

Q. It would not appeal to the counties at all?

A. No, not until you are short.

Q. Until the State is short?

By Mr. Brown:

Q. In other words, the Board of Revenue Commissioners would not have to act until there was a State deficit; then they would make requisition on the counties, instead of doing as they do now?

A. It gives us one set of collectors.

Q. Any other personal property?

A. Anything we could find. That is for the county to determine.

Q. Your idea is to tax everything in sight?

A. Everything we want to tax. If Venango county wants a half a cent tax that is their business.

Q. Any other thought, Mr. Dallam?

A. Not unless there is something that requires an explanation.

SAMUEL G. DIEHL, Philadelphia, Pa., called.

Mr. Diehl: I am not a member of the Real Estate Brokers' Association, although I am a broker. In the early part of last year I was Chairman of the Pension Committee for the purpose of paying pensions to Emergency Men. I had an interview with the Governor, and he said he was in favor of the bill which I proposed to the Legislature, but he said: "Where are you going to get the money to pay the pensions?" So I commenced to look around, and I hit upon a plan, and my plan is, I might say, revolutionary in regard to the past collection of taxes for State purposes. In my investigations I found from the Census Report of the United States, published in 1907, that the assessed value of real estate in the State of Pennsylvania in 1904 amounted to \$3,476,000,000. Now, my idea was to place a State tax upon that assessed value of real estate, a small amount, say one and one-half mills. One and a half mills on that amount of money would produce \$5,214,089. Then I propose to do away with the mortgage tax, four-tenth of 1 per cent. The tax received by the Treasurer of the State of Pennsylvania in 1908 amounted to \$4,209,000. I could not find how much of that money belonged to the tax on mortgages. There was no way to find out. The Board of Revision kept no account, but they said they thought about seven-eighths of it came from the tax on mortgages. That would be \$3,806,204, leaving an increase in the State Treasury of \$1,531,835. Now, out of that \$4,209,000 collected by the Treasurer he returned to the counties \$3,392,128. Now, taking three-fourths of the \$5,214,000 which would be raised by the tax on the assessed value, you return to the counties \$3,910,566, or an increase of \$618,438 is returned to the counties. Now, there are a number of people who own property in the State of Pennsylvania who do not pay a cent towards the revenues of the State. For

instance, there was one of our citizens who died recently, leaving about \$40,000,000, and most of that property was in real estate clear of incumbrance; about \$10,000,000 of it, I think, is in the City of Philadelphia. That does not pay one cent to the State of Pennsylvania, not a penny. Now, then, other gentlemen, or one other gentleman, if you take for example, owns ten million dollars' worth of property and he is not able to keep that clear of incumbrance, and he is compelled to mortgage it for 60 per cent. of its value, and he pays four-tenths of 1 per cent. upon that six millions of dollars, which amounts to \$24,000 a year. Of course, the State says that the owner of property or the man who borrows the money is not to pay the tax, but the man who loans it, but we real estate brokers know in the majority of cases the man who borrows the money pays the State tax.

By Mr. Moyer :

Q. That is pretty generally true in the City, is it not?

A. Yes, sir. Now, my idea was to tax that ten million dollars' worth of property value one and one-half mills, which would produce \$15,000, that is the clear ten millions, and tax the other the same, which would produce \$15,000; the State would get \$30,000, and the man who paid his four-tenths on the six millions would save \$9,000. He would pay \$15,000 instead of \$24,000. Therefore, every man who had his property mortgaged for 60 per cent. of its value would save money. A great deal of the property is mortgaged for more than 60 per cent. of its value. I know some that is mortgaged for 80 per cent. of its value, and of course the man who has property mortgaged for a larger proportion of its assessed value saves more money.

Now, in regard to the City, if a man's property is assessed for 60 per cent. of its value at the present rate of tax, if it is mortgaged for two-thirds of its value with the City tax at \$1.50, a man would have to pay \$1,766.67.

Now, under my plan of taxing the assessed value and making the City rate \$1.60, which is ten cents more than it is to-day, the man would save \$16.67, because under the old way he would pay \$1,766.67, and under the new way he would pay \$1,750, and if he was taxed 60 per cent. he would pay under the old way \$740 and under the new way \$750, or ten dollars; if it is mortgaged for 70 per cent. of its value, he now pays \$1,780, and under the new way he would pay \$1,750. He would save money.

Now, the assessed value of Philadelphia for 1909 is \$1,356,869,000 odd dollars. At \$1.50 it would produce \$20,353,000 odd dollars. Under the \$1.60 it would produce \$21,709,915, an increase of \$1,456,000. Now, taxing the real estate, you can always get your money. In taxing personal property you do not always get it, because a great many who ought to pay four-tenths do not pay it. There seems to be no way by which you can make everybody pay a tax, but in taxing real estate you can make everybody pay.

Q. What is your authority for that statement?

A. Well, my authority is that if you take—we know—I don't know that it is an authority, but we know that—we feel sure that there are a lot of people in the State of Pennsylvania who do not pay that four-tenths of 1 per cent. tax.

Q. Is there no way of enforcing the payment?

A. I do not know of any law to enforce it. You cannot put a man in prison for debt. Many years ago when I was a young man I was Internal Revenue Collector in the Second District, and we had an income tax. We felt that 80 per cent. of those returns were perjuries. We felt certain that the people did not make the lawful returns. The assessor, when he knew and had the facilities to know, he could add what he thought the man had failed to do, and sometimes we did add 50 per cent., and it was paid without a question.

By Mr. Brown :

Q. Why didn't you add 50 per cent. more?

A. We could not do that without we had positive assurance. One prominent man made a return and the assessor knew it was wrong, and he added 50 per cent., and it was paid without any question.

Q. Have you talked this over with your associates?

A. I have submitted this to a number of men, real estate men and others, and they all thought it was a good idea.

Q. Did they own real estate?

A. Yes, they own real estate. I myself own real estate and it is clear of incumbrance. I would pay more under this plan than I do pay now. I do say a man who is worth ten millions of dollars and does not pay a cent to the State ought to pay something, and the State would be the gainer in every instance. I do not know any reason why the State should not tax real estate, and as I showed you, the tax if it was done in that way, the tax in Philadelphia on men whose properties are mortgaged, the only man whose tax would be increased would be the rich, and they are the men you want to pay the tax.

By Mr. Moyer :

Q. Is it your thought that real estate should be taxed both for State and local purposes?

A. Yes.

Q. A double system of taxation?

A. Yes, and do away with the mortgage tax, and by doing that the taxpayer does not pay any more money. In fact, I think sixty times out of a hundred he would not pay as much, taking the tax at \$1.60.

By Mr. Brown :

Q. Your contention is that the land owner should pay the tax to the State and county. That is your thought?

A. Yes. You see in this way we would raise over a million dollars for the City annually, a million and a half

nearly, and also for the State. My contention on account of the pension was that I could see where I could collect three million dollars for the State and without increasing the tax on the necessities of life. It has been proposed here by some that a tax should be put on corporations who manufacture gas and water, and a bonus on coal. We all know that if we put a tax on coal for five cents, the consumer would pay twenty-five cents more a ton, and if we tax water or gas companies, they are going to raise the rates and the consumer will pay it. In this case the rich man who owns the property will pay the tax.

Q. The poor man also?

A. To-day the poor man pays more.

Q. Tax both the rich and the poor alike?

A. Here is a man owns a house assessed for \$2,000. He is paying to-day to the City \$30 taxes, and he has got his mortgage for 80 per cent. of its value, and he is paying the State \$6.40 tax. He is paying \$36.40. Now, under my plan, if the City tax would be ten cents more, or \$1.50, he would pay \$32.00 to the City and he would pay \$3.00 to the State, or \$35 instead of \$36.40, and the man who owned the \$2,000 house would be saved \$1.40 a year, and the State of Pennsylvania and Philadelphia would be getting a million and a half more money. On the personal property, such as bonds and stocks, etc., I would raise the tax on those, I think, because if you raise the tax on those there would be more money for mortgages and you get the mortgages at a lower rate.

By a Member of the Committee:

Q. What would the citizens of the State of Pennsylvania do if you raised the rate on the bonds?

A. He would sell their bonds and stocks and put them on his mortgages, where it would be less. They would not have to pay any tax on mortgages. You know the man who pays on his bonds is the rich man, and he is the man who ought to pay the most tax.

Q. Wouldn't your plan have a tendency to block the State's progress and the upbuilding of any credit by having a system of taxation such as you suggest on real estate?

A. I don't think so.

Q. You think it would not?

A. I don't think so.

Q. That men would still be as apt to invest in real estate as they are under the present system of taxation?

A. I think they would. I don't see any reason why they would not. Another thought and that is this, if a man makes an improvement that is a benefit to the City or increases the value of the surrounding property, he should not be taxed for that at once; he should have some credit. In other words, for the addition he put on there he need not pay taxes for five years.

Q. That is a single tax idea?

A. Not at all. What I mean by that is this: I have a property and spend \$50,000 on it and make it a credit to the City of Philadelphia—His Honor wants to make the City beautiful—I should have some credit, more than the man who lives next door to me and does not do anything.

Q. Doesn't it increase the value of your property?

A. Yes, because I put value on it.

Q. Thereby increasing the value of your property, should you not pay an additional tax because your property is worth more than it was before you made the improvement?

A. I don't know that it is worth any more—it might not be worth any more than the amount of the improvement I put on it, but I am taxed for that amount of improvement. It keeps people from improving their property.

Q. The present system of taxation?

A. Yes, because they have to pay for that improvement. Now, I want to say something about appropriations to hospitals. I am a trustee of a hospital in the City of Philadelphia, and I believe in hospitals, but I agree also with what Mr. Strawbridge stated the other day that hospitals

ought to be concentrated, that there are too many. I know some institutions where the Board of Directors could not get together, and they do not agree, one part goes off and starts another hospital, and they haven't any money, and they ask the State to give them money to help them run it. If there were four or five general hospitals like the Pennsylvania or the Jefferson, the University of Pennsylvania, the Hahnemann, and if they want branch hospitals, we could have branches of the Hahnemann or the Pennsylvania, and under one management. But now we have a whole lot of hospitals gotten up by different people, all doing some good. I have one in mind now that has bought a property in one of our best streets in the City of Philadelphia; it asked for a contribution to a building fund last year which was stricken out by the Governor; instead of going where they could buy property cheap they buy it on the principal street in Philadelphia; they paid \$40,000 odd dollars for the land; they have got \$5,000 in the treasury; they haven't got a building on the property. They placed upon their Advisory Board one of the leading members of the Senate of Pennsylvania, with the hopes of getting the means to build, I suppose. I think the State of Pennsylvania should not furnish money for building hospitals, because if the people cannot supply the buildings, the State should not do it. They ought to furnish so much per capita for people in those hospitals treated there.

By a Member of the Committee:

Q. Unless the State would get title to the property?

A. Unless the State would get title to the property, yes.

Q. Under those conditions you would not think so much of it?

A. I do not think there ought to be so many hospitals. We have got five or six on Broad street, some of them very close together.

Q. You are in favor of consolidation?

A. I am in favor of consolidation. I think they would do better work under one management.

MR. L. G. FOUSE, President of the Fidelity Mutual Life Insurance Company and representing the Association of Life Insurance Presidents, called.

Mr. Fouse: In this dual capacity I am trying to take a broad view of the subject, and I desire to be understood at the outset that we are not here to ask immunity from taxation, but we are here to ask a redistribution, and more on the line of fairness and equity. If any business is entitled to exemption, I think we might claim that the business which reduces taxation for the maintenance of a population and which encourages thrift to uplift, is, of course, the business that ought to be exempt, but in view of the fact that the State has to be supported and something has to be done, we are perfectly willing to concede that the life insurance companies should make their fair and proper contribution to the support of the State, but when enterprises are considered by the State as a proper subject of exemption, such as a building and loan and such as savings banks, which is all right—we have no quarrel with it, if the State can do it, but we do say this, that if the individual who deposits his money and can withdraw it at will for his own benefit can be exempt from taxation, that the man who comes forward frankly and absolutely agrees to put aside a sum of money merely in order that his wife and his children, when the lamp of life goes out, shall not become a charge upon the public, we say that those people are just as much entitled to consideration as the man who makes a deposit for selfish purposes and motives. I will not take up *your* time, but it might be of some interest just merely to refer to it, to history in this connection. About the year 1500 it was considered a high crime to be a pauper—ears cropped, imprisonment and eventually death ensued. That resulted in England in the investigation on the line of encouraging

self-dependence and thrift, so as to do away with pauperism as much as possible, but they happened to strike the wrong lead. They started the poor rate proposition, so that parishes were taxed for the maintenance of the poor. This became such a burdensome thing that finally Parliament took it up in the early part of the Nineteenth Century and made an investigation covering several years, when expert testimony was produced, and the conclusion reached—Sec. 821—that life insurance, friendly societies and kindred organizations operated to reduce the poor rate, a burden upon the public, to the extent of millions and millions per annum. What was done as a result of that? They simply turned around and enacted laws to encourage such organizations, to help them to exist, and the income tax which prevails in Britain had this modification made: that if a man takes one-sixth of his income and invests it in life insurance, that that one-sixth shall be exempt from the income tax. That was done because of the uplift, of the help that it was to the Nation in doing away with pauperism and dependence, because it made it, therefore, to some extent, an independent people. There was a time, as we are told, in history when the windows were taxed because of admitting light and air. That belonged to the dark ages, and if there is anything that belongs to the dark ages it is taxing that which helps people to become thrifty and independent, and that is what life insurance is assumed to do, and that is what it expects to do. The insurance reform of recent years has awakened public conscience to a very great extent. I think that people are now beginning to know that they pay the tax, that the companies are not something entirely independent of the people, that there could be no life insurance at all unless the people paid premiums, and the tax comes out of the premiums, and therefore they have got to pay it. That is primarily a very important consideration for everybody to give due and proper thought to that subject, to appreciate the fact that

the individual policy holder has to pay the tax, and those who do not invest their money in that line are exempt from taxation, because they have no interest in it.

Now, in that connection, Pennsylvania has a population of over seven millions. The tax imposed on life insurance companies exceeds one million dollars a year. It is the amount of money that goes into the State Treasury, from whom? From the whole people? Oh, no. Only from those who carry policies of life insurance in a certain class of companies; less than a half million of people pay three-fourths of the one million tax, and the other is paid by a class known as the industrials, who pay the other quarter, or \$250,000, making an aggregate of over a million.

Now, in addition to that fact, which shows that only a very small proportion of the population pays that life insurance tax, comes a further discrimination which is most unfortunate and does not help the situation at all. One thing is a discrimination against mutual companies. A mutual company is required to pay a tax of four mills on its investment. If it is a stock company it simply pays a tax of five mills on the value of its capital stock, and the capital stock may be anywhere from a hundred thousand dollars to three hundred or five hundred thousand dollars, but it is the market value of a stock that is taxed. Now, the result is: take a company like the Penn Mutual; they have returned for taxation personal property to the amount of \$60,069,475, or, in round figures, \$240,000. Now, suppose it was a stock company instead of a mutual company, what would they pay? Five mills on the thousand dollars of stock, and it would be a mere picayune, instead of the \$240,000. That is a discrimination that is most unfair and should be corrected, if that system is to be continued, the four mills tax, by taking the mutual companies less the reserve liability accumulation, so that they would be taxed more nearly akin to the capital of stock companies. That is a mere suggestion,

but I should like to see that entire portion of the tax wiped out and another matter substituted, as I will tell you later.

Now, another feature that is a discrimination is that a large proportion of those doing the business of life insurance under various titles are exempt from any tax. That does not seem right to me. I do say that if it is proper to tax one class of companies it ought to be proper to tax another class of companies doing practically the same business. Perhaps not in the same way, but meeting with the same result in the end.

Now, there is another discrimination, which is, to my mind, inexcusable, and, according to the decision of the Supreme Court of the United States a few days ago, it is a question whether it is legal and proper, and that is the discrimination between the domestic or home companies and the companies of other States. In the case of Alabama it has been held that the discrimination was not only unfair but unconstitutional. We tax Pennsylvania companies eight mills. That is what Pennsylvania companies are supposed to pay.

By a Member of the Committee:

Q. On the gross receipts?

A. Eight mills on the premium.

By Mr. Brown:

Q. And if they have capital stock?

A. That is an additional tax, that is a personal property tax, the capital stock proposition, but I am now addressing myself to another classification of tax, premium tax. Get that separate in your minds. Now, Pennsylvania imposes eight mills, but if a company is domiciled in some other State and comes in here to do business, there is 2 per cent. placed on them, so that the companies of other States are discriminated against to that extent.

By Mr. Moyer :

Q. That is done, I presume, to protect home companies?

A. Well, it don't protect them, as I will show you later. Now, because of the retaliatory provisions, and this is not the age in which a retaliatory spirit should be encouraged at all, under the retaliatory provisions of the States the result is that a Pennsylvania company which leaves the border of its own State has got to pay to all other States just the kind of tax that we impose in Pennsylvania on the companies of those States, so that we are individually paying a great deal more tax to the other States than we are paying to Pennsylvania. As the number of companies in Pennsylvania is increasing all the while, it is a matter of considerable importance, aside from the constitutional question involved, as to whether it is right and proper to have such a discrimination between the home companies and the companies emanating from other States. My own opinion is that that is not good business and it is not justice, and I say that as a Pennsylvanian interested in my home State more than I am anywhere else, but as I stated before, I am here in a dual capacity, not only representing the company with which I am connected, but also representing the other life insurance companies in the Life Insurance Presidents' Association.

By Mr. Brown :

Q. What State has, in your opinion, the best law on this subject?

A. Well, we have in our discussions sort of agreed that New York, since the amendments have been made and changes made, comes as near right, because there it is 1 per cent., and it is 1 per cent. to all. They are all treated alike, no matter where you are from, it is 1 per cent., a premium tax of 1 per cent.

Q. What was the cause of this change in our law; who is responsible for that?

A. I do not know.

Q. Is it not you insurance people?

A. Oh, no; insurance people have had very little to do with the revenue acts, and in former times it kept them busy to know when the revenue laws were being considered, and so far as I am concerned—in fact, I did not know it until after it had become a fact—and it has been this way for years, goes back some twenty years or more, and there has been no change. New York formerly did not have any tax at all on premiums. They had other devices for taxing insurance companies in a moderate way, but in recent years they have changed that and have adopted the 1 per cent. premium tax in lieu of all other forms of tax, and it is agreed between the members of our Association that that is a fair, equitable basis of taxation, because the State is burdened, of course, with the expense of supervision, which is highly proper and it is highly proper that the contribution should be made towards it, but supervision will represent perhaps less than a hundred thousand dollars, while in Pennsylvania the companies pay over a million dollars, so that there is a profit there to the State of over \$900,000, and it is converting life insurance, which is supposed to promote independence, into a revenue agency for the support of the State, and I do not believe that was ever intended to be, and it certainly is not good public policy.

By Mr. Moyer:

Q. What, in your judgment, would be the loss of revenue to the Commonwealth were a law enacted reducing the percentage?

A. I do not believe that it would reduce the revenue, if you take all classes of companies and apply that 1 per cent. to all, which I do not think would be seriously objected to, because the large number of companies that now pay nothing would be required to pay the one per cent., and it would be applied to all fraternal organizations just the same, apply it to all. I do not think it

would reduce the revenue to the State but very little, if at all. There is no way of exactly computing that, but that is my best judgment.

Q. But you made a statement a moment ago that the State was exacting from the insurance companies revenue approximating \$900,000 that was a revenue unjustly raised, as you seemed to think?

A. Yes, as I view it, of course——

Q. What would become of that amount of money if a new law were to go into effect?

A. It would go into the State Treasury, as it does now.

Q. As you say under the present law we are exacting from the policy holders a sum aggregating, for example——

A. Over a million dollars.

Q. And the State turning this law into a revenue raiser, as you term it——

A. Yes.

Q. I say if a new law, such as you propose, on the 1 per cent. basis were to go into effect, would the revenue be approximately the same as at present?

A. I have stated that it would be, if you make it apply to all companies.

Q. Fraternal organizations as well?

A. Everything; not discriminate between them.

Q. Do you think that could be easily accomplished?

A. That is another question. That is up to you gentlemen.

Q. Do you recall a fraternal organization measure that was before the Senate and House at the last session?

A. I believe they will oppose any legislation that imposes a burden upon them. So far as that is concerned, I think that goes without saying, but when you consider a nominal premium tax and the method of doing business that they pursue, it will be so small comparatively that

they will not look upon it as they would the 2 per cent. which now obtains and which has to be paid by all companies of other States in Pennsylvania, and we have to pay outside of Pennsylvania because Pennsylvania imposes that upon the other companies.

By Mr. Brown:

Q. Is this State tax the highest rate?

A. There are a few States that exact two and a half.

Q. On foreign or domestic companies?

A. All alike. This discrimination as between the foreign and homes companies is a very rare proposition. I cannot just at this minute tell you what Sates they are, but I do not think there are more than three in the entire forty-six States.

By Mr. Moyer:

Q. There was an attempt in the last Legislature to remedy this, was there not?

A. I think the last Legislature had a bill before it, which was supposed to correct very much of the crude legislation in Pennsylvania, but it failed, but whether it touched the revenue, which is a different law in the State and not a part of the insurance law, is a matter I am not prepared to answer.

Q. I think it did have reference, among the other things, to the legislative clause you speak of here, and that met with a great deal of opposition in the House.

A. It did.

Q. You are familiar with the vote on the bill, are you not?

A. Yes.

Q. And the principal ground of opposition seemed to be that it would embody, as you state, fraternal organizations who pay a sick benefit. Now, the life insurance companies do not presume to pay any sick benefits, and fraternal organizations do, which would affect quite a few families throughout the State.

A. They do not all do it.

Q. Embracing them all as one class of organizations.

A. I think I should discriminate between the life insurance, fraternal orders and the sick benefit societies myself.

Q. For instance, the Royal Arcanum and Modern Woodmen, do they have a sick benefit feature in their policies?

A. They have it in the lodges. For instance, a lodge can give sick benefits, but it is not a part of the policy contract, I do not think.

Q. They have a death benefit feature, have they not?

A. Yes, sir.

Q. That is their strong asset?

A. That is their principal business, but the lodge can include or exclude the sick benefits, just as they like. It is not an essential part of the functions of the order.

Q. But if they have such a feature embodied in their policy, Mr. Fouse, how could you reach them for the purpose of taxation as you have just stated a moment ago?

A. Well, in an off-hand manner, I would say this, that a 1 per cent. of the premiums that they collect is almost infinitesimal, it is so small that I do not believe it would be necessary to discriminate, but if I did discriminate I would make a provision exempting the sick benefit feature of any order from the taxation, because it is only an agency that can be used or not as they see fit, but sick benefits is in itself a thing that ought not to be taxed, I agree.

Q. I bring this out at this time because of the very serious opposition that this proposed piece of legislation met with in both the Senate and House, and simply, I take it, on account of the fact that it would apply to many fraternal organizations who now have embodied in their policies a sick benefit feature.

A. Yes.

Q. Now, according to your argument, for instance, the Modern Woodmen and Heptasophs and Royal Arcanum, if they have a sick benefit feature in their policies, it would be exempt from taxation and, of course, the State of Pennsylvania would lose revenue through the proposition.

A. I would only exempt that one branch of it, the sick benefit branch.

Q. Then they have separate policies?

A. Yes, I know the Royal Arcanum have, because I have been a member of that for some time. I know they have it as a matter belonging to the lodge itself. That is, you can take it or not, as you like.

Q. That is optional?

A. Yes, and because of its being optional it could be set aside, and only the death benefit part of it be subject to the insurance tax on 1 per cent. With those features that I have given, which I will just hurriedly run over again, a discrimination between mutual and stock companies, it does not strike me as proper and right and that that should be corrected; that a discrimination between organized companies of other States is not right, and that should be corrected; that the discrimination in favor of the various fraternal insurance orders, that is not right, and that by taking them all and placing them on a proper basis and doing equity and justice it would not be necessary to make it so burdensome on a few, because it is a distribution among many. Of course, it is not an easy problem.

By Mr. Brown:

Q. If it is not too much trouble or would necessitate too much labor, could you have some memoranda made, showing what the experience of other States has been?

A. Yes.

Q. And submit it to the Committee?

A. I can and would be glad to do it.

MR. WILSON H. BROWN, representing the Manufacturers' Club of Philadelphia, called.

Mr. Brown: Mr. Chairman and Gentlemen: I want to begin by saying that the manufacturers, as represented by the Manufacturers' Club, are satisfied with the taxes that are imposed upon them at the present time. I see that that occasions a little ripple of laughter from my friend, David Dallam. We are satisfied, because we feel that we are entitled to some credit for having made the business of Mr. Dallam and the business of the City of Philadelphia and development of the City of Philadelphia what it is. I know it has been an old story that without the manufacturers the City of Philadelphia would not be as great as she is. That has been told and told so often that some people begin to look upon it as a joke, but if you gentlemen will go back into the history of Philadelphia and pick that out and compare the development of the City and the development of the manufacturers, you will find they run right on a parallel. The State of Pennsylvania has within her limits to-day manufacturing corporations with a total capitalization of \$1,955,000,000. That capitalization has represented an increase of 35 per cent. in the past five years, a greater increase as shown by the census of 1900 than any other State in the Union. Why is this? Years ago the State of Pennsylvania realized the necessity of developing her natural resources, realized that she had natural resources which manufacturing alone could develop and which would eventually make the State great, and she passed laws exempting manufacturers from taxation. The only tax that was imposed upon a manufacturing corporation is a tax upon its capital stock. Following our example you will find throughout the country, if you travel this great country as I have, along the railroads you will find the communities advertising

free factory sites. Why? Simply to get the manufacturers there to develop their country, and it is that policy that has caused the great progress of this country. The manufacturers of the State produce annually about twice as much as the total agricultural product and the products of our mines. In round figures the census of 1905 says that in the State of Pennsylvania the value of the products of manufacturing was \$1,955,000,000. For the same period the total product of farms was \$431,000,000, and the total mineral product was \$657,000,000. I realize that the State of Pennsylvania either through insufficient taxation or unwise expenditure of the public funds has to meet the question of a probable deficiency, and yet I say to you gentlemen that the manufacturers, as represented by the Manufacturers' Club, are willing to stand any just share of their burden of taxation that may be determined. They feel to-day that they are in a position, facing, as they do, the Federal corporation tax, that they would be at a disadvantage if the tax upon manufacturing corporations was increased. Some of you gentlemen know that the bills introduced in the State Legislature last year were opposed by the manufacturing interests of the State very largely, and reasons were then given before the Judiciary Committee as to why they should not be increased. I emphatically say to you gentlemen that the manufacturers feel that any increase of taxation on manufacturers or any taxation placed upon manufacturing in the State would be placing the State of Pennsylvania in a point of retroaction; that the Manufacturers' Club feel that if you commence to tax your manufacturers you will take the first step towards stopping the development of the State. You will be driving manufacturers to other States in the vicinity where they can have better conditions and be freer of taxation. The Manufacturers' Club of Philadelphia, whom I represent, have had no formal meeting to consider this subject, but a number of the gentlemen who represent the Club on its Legislative Committee have

met and requested that I place before you as the opinion of the Manufacturers' Club just what I have stated here.

In the course of conversation, as to meeting the condition which you gentlemen have to meet, raising taxation, and the various opinions expressed, I recall very distinctly that one gentleman said, "Why don't you tax automobiles? Why don't they tax automobiles, they don't seem to pay any tax?" I said, "I don't believe the Manufacturers' Club should go there and express themselves as favoring the taxing of any specific thing." "Well," he says, "I own three of them and I will pay and I think it would be only right to pay one dollar per horse power per year for owning those automobiles." That is only the personal opinion of one member, and I am not authorized here to say or to suggest to you any method of raising the revenue of the State.

By Mr. Brown:

Q. Assuming that the other taxables are being sufficiently taxed to-day and there is need for more revenue for the purpose of our State institutions, erecting State institutions for the insane and criminals and helpless poor and all that, or for State highways and other public purposes, what is your thought on that? Do you think these other taxables should have their burdens increased, or that the manufacturers should aid in that? Now, I am simply asking this because this Committee is in receipt of dozens and dozens of letters suggesting the taxing of manufacturing corporations and giving the reasons of the writers why it should be done. Have your folks given that any thought?

A. We have simply dealt with the question generally. There is not one of them that is in favor of any tax being placed upon manufacturers.

Q. And there is not one of them that would shirk his obligation to his State for the support of her institutions?

A. No.

Q. Now, do you not think there ought to be some thought given to the general subject, because every one on whom the tax is levied is objecting to it?

A. Surely.

Q. Do you not think there should be some thought given as to how a general plan can be worked out, just some general plan by which general conditions can be improved? Because as I understand you, you represent a very large portion of the life of the Commonwealth?

A. I am speaking for the Manufacturers' Club, which does not include all the manufacturing interests of the City.

Q. You represent two billions of property to-day?

A. Yes. Remember that the manufacturers have large investments upon which they are paying local tax, their factories, they are paying the local tax on that.

Q. We have exempted their machines and everything except the shell of the building?

A. The building and the ground is the only thing that is taxed.

Q. Have you looked into it in other States, what other States are doing in this direction? I have. There are very few States in the United States that are exempting manufacturing corporations?

A. Very few of them. In New York they have a one and one-half mill tax on their product, I believe. There are other States that have only the capital tax. New Jersey, one-tenth of 1 per cent., New York one-fifth.

Q. Is it not a fact that Pennsylvania is the only State in the Union to-day that practically exempts them?

A. I believe she is. The solution of that question you put to me, I think, would be better solved, rather than placing upon the manufacturers a tax such as was contemplated last year, which was what you may call a mixed tax made up of a tax upon all their liabilities—that is, a tax on all moneys they owed, including mortgages, an

annual tax on that, and I think a fair tax would be a yearly capital tax. That would be the fairest way.

By Mr. Moyer:

Q. Capital stock tax?

A. Capital stock tax.

By a Member of the Committee:

Q. Do you think a tax of one mill would drive the manufacturers to other States?

A. I do not. In speaking for the Manufacturers' Club, I do not know as we could carry the endorsement of that unanimously, but I think we would have a larger number of our manufacturers, if that was decided to be their share of the burden, who would not oppose it.

Q. That would make it according to that approximately nineteen million dollars?

A. Yes. The tax bill last year, you may recall, involved practically about 10 per cent. tax upon the capital stock per annum.

By Mr. Brown:

Q. The same as you tax a distilling company ten mills?

A. I am not mixed on it. You had three or four items taxed. You duplicated the tax. It was duplicated three or four times over.

Q. There were a number of bills presented to the Legislature?

A. You had one bill there.

By Mr. Moyer:

Q. Whose bill was that, do you recall?

A. I do not recall it. I have it over at my office.

By Mr. Brown:

Q. Have your folks made any effort to gather the sentiments of the State on the subject, outside of your own individual efforts?

A. No, we have not.

By Mr. Moyer:

Q. What, in your judgment, should be the basis of corporate existence? For instance, in granting charters to manufacturing corporations for profit? I want to make myself clear. Of all the letters that have been sent out by this Commission, there has one come to me recently that contained this thought, that the basis of corporate existence should be cheapness of output when delivered to the consumer. What do you think of that?

A. That would be the basis of their corporate existence?

Q. Qualification to incorporate by the State of Pennsylvania?

A. Well, that is such an extreme idea that I have not given it any thought. I would not endorse it at the beginning. How would you determine it? Who would determine it?

Q. I merely wanted to throw it out for what it was worth.

A. I never heard of it before.

Q. And then he goes on to say that the cost—if the corporation management shall increase ever so little the cost to the consumer, a receiver should be appointed and the corporation dissolved, and in that way you would solve the question of high living?

A. Well, I can say frankly I don't believe that idea would be endorsed by the Manufacturers' Club.

Q. As their representative, I wanted you to express an opinion on that.

Mr. Dallam: May I ask Mr. Brown a question?

Mr. Moyer: Certainly.

Mr. Dallam: Prof. Thompson asked me last night why New York, with all its tax on manufacturers, was now the largest manufacturing city in the country, and it far outstripped us.

Mr. Brown: Do you ask me that question?

Mr. Dallam: Yes.

Mr. Brown: In answer to that, according to the statistics what makes her the largest manufacturing city, simply a duplication of manufacturers from Philadelphia and other parts of the country.

Mr. Dallam: They claim not.

Mr. Brown: And they take credit for the whole of that which is largely manufactured here, or in fact, in some other part of the country and sent there, because she is a great distributing center.

Mr. Dallam: That was the accusation before the census of 1910.

Mr. Brown: That is a correct statement, as I gather it. You take New York City, we will send goods over there worth \$1.50 from Philadelphia. Some little fellow has a shop where he runs thirty or forty small sewing machines. They manufacture that cloth up and he adds to that cloth probably in his labor value to the amount of fifteen or twenty cents, per yard, and he puts that out as his product. That is a duplication. That is what makes New York a great manufacturing State. She does not compare with Pennsylvania in any particular in the basic manufacture where the true value is put into the goods. There is where it comes from, Pennsylvania.

By Mr. Brown:

Q. I assume the subject has been considered from the viewpoint of what is beneficial to Pennsylvania?

A. Yes, sir.

Q. Entirely independent of the one of selfishness?

A. That is the viewpoint we take.

Q. The concensus of opinion of manufacturers, as I understand you, is that the subject should be let alone insofar as it applies to manufacturers?

A. Yes, sir, because it is a broad, deep subject, and when you go back to the bottom of the thing you will find out the manufacturing industries are the bone and sinew

and backbone of all your income in the State of Pennsylvania.

Q. What is your distinction between a store like Lits' and a manufacturer across the street that employs the same number of men?

A. Distinction in what way?

Q. Why should one pay tax and another not, from your standpoint?

A. They are not producers. A manufacturer is a producer and produces your raw material. That place does not produce anything. It is simply a market place where you employ people to stand and sell the wares that are produced. We produce the raw material.

MR. CHARLES S. PRIZER, representing Federal Furnace League, called.

Mr. Prizer: I come here this morning representing a large manufacturing industry in Philadelphia; also an organization of the manufacturers of warm air furnaces, known as the Federal Furnace League. I am also a member of the Manufacturers' Club, and speaking for myself personally, I cannot agree with Mr. Brown that I consider that it would be a good or acceptable thing to tax the capital stock of manufacturing corporations one mill or any other rate. I was very much impressed by the remark made by counsel during the session this morning to the effect that in considering the subject of taxation for the State of Pennsylvania the whole matter should be considered from the broadest business standpoint, the intimation being, as I understood it, to get down to the fundamental principles which underlie the subject of taxation and merely that part of the subject of taxation known as the incidents of taxation. Now, we are opposed to the taxing of manufacturing corporations by the State, because we think that while that tax in itself might be small, in principle it is a wrong thing to do. As has been shown in your meetings previous to this, Pennsylvania has made a greater progress in manufacturing during recent years than any other State in the United States. Pennsylvania has the distinction of being one of the few States in the United States which exempts manufacturing corporations from State tax practically. Those two facts, it seems to me, go together. Personally I am acquainted with several corporations whose offices are in New York and whose plants are in Pennsylvania, and I think in a number of those cases the plants are located in Pennsylvania because Pennsylvania is a better place to have a manufacturing plant than some other States.

Now, while a tax on the capital stock, or upon the revenues, or upon the goods of manufacturing corporations, or upon their incomes, would undoubtedly be unwelcome to manufacturers of this State on the principle that every man who is about to be taxed does not wish to be taxed, yet a little thought makes it perfectly plain to us that taxes of that kind are not actually paid by the manufacturers themselves. In computing cost of manufacturing our goods we count in as one of the primary costs the tax we pay, just as much a part of the cost of the goods as what we pay out for labor. That cost goes to determine the selling price we make upon our goods, and you may be certain that if you tax manufacturing corporations in Pennsylvania at higher rates than they are now taxed, or put additional burdens upon them, those taxes will be borne eventually by the consumers of the goods. In fact, I suppose that your investigations thus far have carried you along in the subject of taxation far enough for you to realize that there are a large number of taxes which are not paid by the nominal taxpayer, but are paid by somebody else?

Now, the vice of taxation upon the manufacturing companies is that they cost the community too much. If you levy a tax upon us for five thousand dollars, we put it into the primary cost of our goods, and we must have a return upon that investment just the same as we have a return upon every other investment, and we must add to that tax cost our profit, and that tax goes on down to the jobber and the retailer and the consumer, and this tax which has netted to the State \$5,000, less its cost of collection, costs the citizens of this Commonwealth, who pay it probably seven or eight thousand dollars, and that is the vice of your taxing manufacturing processes or mercantile processes.

By Mr. Moyer:

Q. How about a tax on the earnings?

A. A tax on the earnings will be treated in exactly the

same way. If our earnings are taxed, we will put our taxes as of 1909, into our costs accounts for 1910. We will put our taxes of 1910 into our costs for 1911.

By Mr. Brown:

Q. What becomes of the tax on your part that is not strictly pertinent or incidental to the manufacturing business? Do you keep a separate account of that?

A. We charge all taxes into our manufacturing accounts, or into our commercial accounts. We keep costs in two divisions.

Q. Suppose, for instance, a corporation owns stocks, bonds, mortgages, and other things that are taxable. Do you mean to say the tax they pay the Commonwealth on those is put into the costs of the sales?

A. It certainly is. That is, any corporation must charge all those into its costs, including interest.

Q. That is an incidental on your investment; you have already made that and set it aside?

A. If we own an investment, I withdraw that. Manufacturing corporations, as a rule, make few investments of that kind. We make none. We own lots of property that we are compelled to take for certain reasons, but get rid of it as soon as possible. We do not own bonds, stocks or securities for the purpose of investment.

Q. To what do you attribute the location of manufacturing industries in Pennsylvania—not exclusively to the exemption from taxation; there must be other favorable conditions here?

A. I consider the exemption from taxation a favorable condition towards the tendency to increase the manufacturing resources of this State. The great resources of this State, of course, are the primary reason for the location of the manufacturing interests in this State. One of the speakers adduced low wages as a reason for locating in this State. My own observation is to the contrary. I do not think manufacturing is most profitably conducted,

taking the United States as a whole, in those sections where wages are lowest, but quite the contrary; and as to your question, I believe the greatest reason for our manufacturing prosperity, relatively speaking, in Pennsylvania, is the resources of the State in coal and in iron.

By a Member of the Committee:

Q. Proximity to raw materials?

A. Proximity to raw materials is one powerful factor, of course.

By Mr. Moyer:

Q. Do you think the exemption from taxation would not weigh in the mind of a man who was seeking to establish a business in Pennsylvania or any other State?

A. It certainly does, and many small towns that do not give formal exemptions have understandings with manufacturers that they shall treat them generously in the matter of taxation. I know that to be the case in a number of cases where there is no formal provision for exemption; it is a tacit understanding.

Q. And exemption from the Commonwealth would also add to the sum total of the investment, would it not?

A. Yes. Now, anything that tends to make manufacturing more prosperous, or brings more of it into the State, creates a value which you can get in a very much better way for the purposes of taxation than you can by imposing taxes of the kind that have been considered, viz.: tax upon the capital stock of corporations. You increase the manufacturing in Pennsylvania and you increase the land values of Pennsylvania, real estate values, and create a fund there that is the best in the world to go to for purposes of revenue, in my judgment.

By Mr. Brown:

Q. You mean you can more easily lay your hands on it?

A. You can more easily lay your hands on it. Not only that, the daily occupations of a people in the State, their

general prosperity, their working and producing together and co-operating, are elements in the value of real estate. When you attempt to tax personal property, you do a thing which is an insult, always, to the underlying common sense of all men. There has been advocated here this morning the taxation of pictures, etc., and all personal property. Just as though that had not been tried in this world millions of times and always with failure attending it. Up to the present time, I venture to state that attempts to tax people according to their wealth has never yet succeeded.

Q. By wealth what do you mean?

A. According to the individual wealth of the subject of taxation.

Q. That means money at interest, mortgages and like security a man may have.

A. If a man is worth \$50,000, and you try to get at him to tax that, because he is worth that, I do not care what general form it is in, but the attempt to tax personal property has always been a failure.

Q. Suppose I told you that in Pennsylvania one-half of the personal property tax reached is equivalent to one-half the value of real estate in the State, wouldn't you think that a pretty fair result?

A. Yes, but I consider it a failure. I consider that it is a fight upon veracity, and it is a bad method of taxing and it is a failure at that. I will lead you to many good citizens in Philadelphia who do not pay upon their personal property fairly, and never will

By Mr. Moyer:

Q. Who perjure themselves?

A. You can have it as you will, but that has always been the state of affairs that has followed attempts of that kind. A man buys a piece of furniture or a picture, and feels that the State has no right to go and take part of that value from him, and I agree that that is not the thing for it to do.

Q. But there was, in a part of the gentleman's argument, a clause referring to the taxation of furniture, there was an exemption feature?

A. Well, what of it?

Q. Well, I speak of it as——

A. As exempting the man of small means?

Q. Yes.

By Mr. Brown:

Q. Mr. Prizer, as I understand you, you drift back practically to a land tax?

A. Well, I don't consider——

Q. I mean exclusive land tax?

A. A purely land tax I do not consider is a peculiar issue with this Committee or this State at present. I am speaking of taxes on real estate.

Q. We are exempting manufacturing corporations, moneys at interest, personal property; there is nothing left; by the process of elimination you are down to the real estate?

A. I consider that the fairest possible tax, and I consider that if we raise every dollar of our local county and State revenues from a tax upon real estate, we would tax the people of Pennsylvania more justly and fairly than we tax them under the present system or under the variations that have been proposed here to-day. We would reach them more fairly, because a tax upon real estate would be distributed. Nobody lives without using some location, and every man pays and contributes his part to a real estate tax, and I think when you work it out with a fairness that is absent from attempts to tax people upon all kinds of property—the current idea among many people is that every man should pay according to what he is worth; this has never been accomplished and it is not fair; if it could be accomplished, and men who by industry and thrift accumulate a little fortune ought not to be fined by the State for doing that, but the real estate tax is an entirely different proposition.

Q. Supposing a farmer, by industry and thrift, takes a farm worth ten dollars an acre and makes it worth \$150 an acre. You think he ought to be taxed for his industry and thrift?

A. Well, if you come down to that, I don't think he ought to be taxed.

Q. If you are going to tax him on the original value, how do you distinguish between the natural value of real estate and what might be called social value, that is, value that has been contributed by the community and with which the owner has had nothing to do?

A. That question answers itself. You have stated the two kinds of value, one of social value and the other an improvement value, contributed by the owner or occupier.

Q. You would not tax him for that?

A. Well, if I personally had my own way, I would not tax him on the things he has placed there by his industry and thrift; but to answer your question directly, it is simply a matter of assessment. The City of New York assesses the social value of land, as you have termed it, separately from the value of improvements, and it may be interesting—I do not know whether it has been stated here before—for you to know that the value of their land inside of Greater New York, the assessed valuation is greater than the assessed value of the whole of the real estate of Pennsylvania. Some gentleman referred to the alleged fact that New York City was a much greater manufacturing city than Philadelphia, but it is not, in proportion to population. Even taking the explanation given by Mr. Brown, in proportion to population Philadelphia is a much greater manufacturing city than New York City is, but there is no difficulty in distinguishing between those values. Of course, these are fundamental matters. No manufacturer or no citizen of Pennsylvania, who has given any thought to the subject of taxation, expects this Committee to map out some ideal system of taxation and follow it; but it does seem to me that the Committee should con-

sider the general principles that underlie taxation and should bend their efforts in the direction of those methods rather than the other way, and these discussions which have arisen can, I think, be useful, and it is very gratifying to see that this Committee is disposed to study the fundamental principles of taxation.

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C. STUART PATTERSON, ESQ., President, Western Savings Fund Society, called:

Mr. Patterson: I desire to say I am not appearing here on my own notion. I am here because I received a very courteous letter from the Vice-Chairman, asking me to come, and therefore I at once responded, and I am ready to answer any questions that may be asked me.

By Mr. Brown:

Q. Mr. Patterson, I presume your Board has given some serious thought to the general law of Pennsylvania regulating yours and similar institutions?

A. Yes, sir.

Q. Have you any suggestions to make as to the amendment of those laws? I am referring to the formation and regulation, independent of the question of revenue?

A. No, I think that we have ample legislation in this State on the subject of savings funds. The older savings funds are organized under charters which carefully define the powers of the Board, and then there is, as you know, a later savings fund statute providing for the general organization under that statute, with carefully guarded provisions with regard to the limits of investment. I do not think I have any suggestion to make on that subject.

Q. Coming down to the question of revenue, it has been suggested in one of our earlier meetings that the State was not receiving proper revenue from money deposited with your institutions; in other words, that thousands evade the tax. I refer now to deposits that are represented especially by certificates of deposit?

A. Well, we issue no certificates of deposit, and the same thing applies with regard to all the other savings funds not having capital stock, and we also limit the amount of deposits that may be made during a given time. Our

general rule is that more than a thousand dollars can not be deposited by one depositor in the course of a year, and that rule is pretty rigidly adhered to. There are cases, of course, of widows, and people who do not know how they ought to invest their money, who are occasionally allowed to put in sums a little in excess of that. We have in the Western Savings Fund 54,822 depositors, with \$25,894,000 on depositors, and the average credit to the depositor is \$460.50, and 23,442 depositors have less than \$100 to their credit; and the same thing is very nearly true of the other savings funds. There are in Pennsylvania nine savings funds without capital stock. All the assets are held in trust for the depositors, and the directors receive no compensation for their services, and they give a great deal of time to it.

Q. Have you made any return of the average amount of deposits to-day, say a thousand, how many would be in that class?

A. We report to every session of the Legislature detailed statements on that subject, and I would be very glad to furnish to the Committee a copy of our last report. In fact, we not only make it to every session of the Legislature, but we forward it annually to Harrisburg, and I will take pleasure in sending that to the Committee.

Q. What is the opinion of your Board as to the wisdom of taxing those depositors a four mills tax?

A. I think it would be a very great mistake. The object of the whole savings fund system is to encourage thrift, to induce wage-earners to put aside something for the rainy day, and thereby to acquire a stake in the community, and to make themselves better citizens. I will undertake to say that in the crowds that have been roaming the streets, more especially in the northern part of the City, the last few days, assaulting property and firing upon the police, you could not find one savings fund depositor.

Q. Is your opinion the same for those who have large

sums on deposit? I do not mean as to the last remark, but I mean as to exemption from taxation?

A. Well, of course——

Q. Say the one who has \$10,000?

A. Wherever a man is using the savings fund as a means for investment it would be very desirable that they should be reached for taxation, but I do not see how you are going to make a discrimination of that sort, and the cases are so rare and the amounts are so small, generally speaking, that I think the effect of taxing as money at interest sums on deposit in the savings funds would be very bad. In the first place, you have got to deal with an enormous number of individuals if you are going to do that thing. In Pennsylvania, to-day, there are nine savings funds without any capital stock, and their depositors numbered on the first of January 450,521.

Q. And their aggregate deposits were how much?

A. The aggregate deposit in all the savings funds was \$170,000,000.

Q. That practically pays no tax, unless the individual depositor chooses to return it?

A. Remember, that the savings funds pay now under the existing law 3 per cent. on their net income.

Q. I do not mean them, I mean the depositors?

A. The depositor himself pays no tax upon that at all.

By a Member of the Committee:

Q. Their money invested in securities and bonds and things of that kind pays the tax?

A. Of course, the institution pays the tax.

By Mr. Moyer:

Q. Provided they make a return thereof?

A. The individual depositors pay no tax at all. The institution pays.

By Mr. Brown:

Q. The law contemplates they should pay a tax on

their deposits. The law contemplates, I assume, all money at interest should pay a tax?

A. I never have believed the existing law contemplates it. I do not think that money on deposit at a bank, evidenced solely by a credit on the books of the bank and by a credit upon the depositor's pass book, is within the contemplation of the statute money at interest.

Q. Notwithstanding it does bear interest at a fixed sum?

A. Notwithstanding it does bear interest at a fixed sum, a sum that may be changed from year to year.

Q. Do you think that because they have the return of the savings fund—

A. I think the tax which the savings fund pays and which a National or State bank pays upon its deposits covers that.

Q. Have you given any thought to the Act of May 1, 1909?

A. Yes, I have given a great deal of thought to it. I had the honor of appearing in support of that bill before the Committee of the House of Representatives when the bill was under consideration, and I also had the honor of appearing before the Governor in support of it. I gave a great deal of thought to it, and the argument in support of it, and which convinced the Governor and the Committee, and also convinced the Senate, was this that deposits in savings funds without capital stock ought to be encouraged by the State. Anything which induces a wage earner to save money is of benefit, not only to him, but of benefit also to the State. It makes him a better and more useful citizen. Then I drew the attention of the Committee and the Governor to the fact that under the then existing law trust companies and savings funds with capital stock paid very much less pro rata tax than savings funds without capital stock. Savings funds without capital stock then paid a tax of four mills on their investment and other investments in the bonds of com-

panies paying a capital share tax to the State, and they also paid the 3 per cent. earnings tax, and I gathered a discrimination from the last report of the banking department. There is a savings bank with a relatively small capital stock, upon which dividends aggregating 100 per cent. for the year 1907 were paid to the shareholders. Under the then legislation that corporation could have elected and it could now elect to pay in lieu of all other taxes ten mills on its capital stock amounting to \$102. Assuming that any other savings bank having no capital stock had exactly the same line of deposits and the same line of investments, the savings banks without capital stock would pay \$4,574.31 for the four-mill tax, and in addition thereto a tax of 3 per cent. upon its net earnings, whatever those net earnings might amount to. There was a concrete instance of injustice. Then attention was also called to the fact that the savings depositors ought to be put upon exactly the same plane as building and loan investors. They are investments of the wage-earning classes in the same way and looked at in the same way, and then we will have taxation on savings banks. Those were the considerations which induced the Legislature to pass that Act of 1909, and which induced the Governor to sign it.

Q. Supposing the Reading Railroad were to issue twenty-five millions of bonds and say nothing in the bonds, or in the resolution authorizing the issue of the bonds, about the tax, and they would be bought by your savings fund; who would pay any tax?

A. Well, under the law of 1909 we would not pay any four-mill tax on that.

Q. And the railroad would not, either; who would pay the tax?

A. I wasn't looking at it from the point of the railroad.

Q. I draw your attention especially to this Act?

A. I think you will find, Mr. Brown, a provision that was put in to meet that very question.

Q. There was a provision put in, but it was put in against my judgment at the time and I have never seen any reason to change it. That is the reason I am calling your attention especially to it. As I understood the Act in this specific instance, unless the Company agrees to issue them clear and free, or agrees to pay it, there is no liability on anybody. The word "amendment" is used in the Act. If they simply issue the bonds and say nothing about the tax, then nobody pays it?

A. I have a very distinct recollection that that was put in in that way at the express request of the Auditor General of the Commonwealth.

Q. The Attorney General?

A. The Auditor General, I think. I know they formulated it. They spoke to me about it and I said I thought it ought to be put in so the State would get its tax out of somebody.

Q. Your thought is in such an instance as I have given that the company or the fund should pay the tax?

A. I think they should. I think that is fair. I do not think the savings fund ought to pay it.

Q. It ought to be paid to the State?

A. Yes.

By a Member of the Committee :

Q. You are interested in a great many different lines of large enterprises giving attention to the matter of revenues and things of that kind, and I would like to know, and I think the Commission would like to hear from you, some expression regarding the tendency of the Federal Government to get more close direct taxation, to a certain extent invading the prerogatives of the State. I would like to hear your views on that matter?

A. I am very willing to talk frankly on that subject. I believe firmly that the Government of the United States is exactly that which the Supreme Court characterized it, it is an indestructible union of indestructible States, and

I believe the States are just as important as the Union of the States. I think nothing could be more dangerous than to break down the State Governments, and I believe firmly that if Federal aggrandizement goes on as it has been going on of late years, our danger will be that of centralization. I think the framers of the Constitution clearly intended that the General Government should have recourse to indirect taxation, and that the States should have the field of direct taxation, only to be invaded in cases of absolute necessity. I think every lawyer will agree on that proposition. Now, the income tax amendment in its present shape is certainly open to the objection that was so forcibly put by the Governor of New York. If that amendment is adopted as it has been sent to the States it necessarily will empower Congress to tax incomes derived from bonds issued by States, and bonds issued by sub-divisions of States, and I think the effect of that would be very bad. Now, the income tax of itself—and exactly the same remark is applicable to the four-mill tax in this State, the personal property tax—the income tax in itself is an unequal and unjust tax, and any tax is unequal and unjust which depends upon a return to be made by the individual taxpayer. Every man in this room knows that all men are not equal in honesty and in truthfulness, and it is certainly a fact that under every income tax and every personal property tax wherever imposed there is a necessary inequality of burden-bearing against the man who makes an honest and truthful return, and I think that a much better practical result will be obtained by imposing a tax otherwise. I have always believed that the policy of Pennsylvania in taxing profit-earning corporations was a very sound policy. I think that when men combine together under a corporate organization they get certain practical results therefrom which are of great value to them. They get, in the first place, a security in the shape of shares which are readily transferable, very much more transferable than an in-

terest in a partnership; they get exemptions from individual and personal liability, and they get, in the third place, the privilege at death of passing under their will something which can be readily transferred without that necessity which exists in the case of partnership accounts. I think, therefore, that every corporation ought to pay to the State for those privileges.

By Mr. Moyer:

Q. Including manufacturing corporations?

A. Yes, I think—— I don't think manufacturing corporations ought to be absolutely exempt. They get those valuable privileges.

By Mr. Brown:

Q. In arriving at the value of a corporation's stock to-day we are supposed to include all assets. What is your thought upon the subject of taxing or levying a tax on all the assets of a corporation?

A. I think the ideal way of doing that would be this way, and it is a plan which has received the approval of the Supreme Court of the United States, I think, in two, and I think in three different cases. If you take the total value of the capital stock, you add to that the par value of the Company's bonds and other liabilities; you then get at that which represents all the property of the corporation, and then in order to guard against double taxation, you deduct investments in the shares of other corporations paying a tax to the State, and if you deduct investments in patent rights, which under the law you cannot touch, I think you would then get at the fair value of the corporate property in the easiest possible way.

Q. And you would in doing that exempt local property, local real estate, from State taxation, and let the counties collect that?

A. Well, you have got to keep a revenue for the counties, and that is another deduction that ought to be made. You are perfectly right. That deduction ought to

be made, because the real estate under a well-settled policy of the State pays a tax to the county.

Q. You were speaking about your objection to the personal property tax on account of the failure of the taxable to return it?

A. Yes, sir.

Q. Suppose, for instance, we take certificates of deposit returned by the corporation itself; we would relieve the taxable from that?

A. The tax is not open to the objection that I have stated wherever you can tax it at its source, but the objection I have is to taxation based upon a return to be made by the individual.

Q. Not an objection to the taxing of the thing, but the way it is taxed?

A. No, the way in which it is done.

Q. While we have you here, we do not want to impose upon you, but we would like to have your thought on the subject of the appropriation of the State's money for institutions; have you given that much thought?

A. Yes, I have given a good deal of thought to that, a great many years ago, and my views are pretty radical upon that subject. I have always been of the opinion that the State of Pennsylvania ought not to appropriate one dollar to any institution that is not absolutely and entirely controlled by the State. I do not think the State has any right to take the money of the taxpayers and give it to institutions, however meritorious, which are not public institutions.

Q. Are you prompted to that opinion simply from a legal standpoint or from your experience?

A. Oh, no, not from a legal standpoint in any way.

Q. The State, of course, you assume has the right to do it?

A. The State has unquestionably a legal right to do it. You know in the Constitutional Convention of '73 the

subject was under consideration and there was a very earnest effort made there to take the power away from the Legislature, and the argument which prevailed was that these institutions are relieving the State by performing a duty which otherwise the State itself would have to perform.

Q. The Committee has had several letters from different sections of the State advocating the issuing of State bonds. Of course, it would require an amendment to the Constitution, for the building of highways and other State improvements, rather than collecting it by current revenue control. What is your thought on that?

A. I should be very sorry, indeed, to see the State issue those bonds. I do not believe in incurring a capital liability on the part of the State, wherever it is possible to do it by the sub-divisions of the State that are more immediately and directly benefited.

Q. Even though it may be for a permanent improvement?

A. Even though it may be for a permanent improvement.

Recess until 2.30 P. M.

Philada., 'Pa., Feb. 25, 1910.

The session was re-convened at 2.30 P. M.

MR. J. M. WILCOX, representing the Philadelphia Saving Fund Society, was called.

Mr. Wilcox: Mr. Chairman and Gentlemen of the Commission: I am here in much the same position as was Mr. Patterson, at the invitation of the Commission. I will be very glad to answer any questions you wish to propound.

Mr. Brown: Mr. Wilcox, you heard what Mr. Patterson said before the Commission this morning about the taxing of deposits. Have your folks given any thought to the taxing of the deposits of your depositors?

Mr. Wilcox: Well, yes; but it has never been discussed by the Board. Personally, I have always been under the impression that saving fund deposits were subject to taxation.

Mr. Brown: Do you know whether or not your depositors have returned these deposits for taxation?

A. That I don't know. Some may have been returned to us; but I imagine a vast number of depositors have not returned them, because that is probably all they have.

Q. What would be the objection of the saving fund itself returning these—say, taking the average for the year, and then paying in a lump sum to the State the four mills tax on your deposits drawing interest?

A. Well, there would be the objection on the part of a general policy to not disclose anything about our business or the business of our depositors; and the same argument would apply to that as has applied to the exemption of the four mills tax; it would so hinder us that we would be very much confined in our investing. That was the main reason on which the four mills exemption was

granted, apart from the consideration that the class of people who use a saving fund are the people that you need to increase thrift, and a great amount of them have their all in the saving fund.

Q. What is the amount of your deposits?

A. Something over ninety-five millions now.

Q. Do you carry a surplus?

A. Yes, about nine millions.

Q. What is the object of the surplus?

A. Simply to fortify the institution in case of trouble.

By a Member of the Commission:

Q. Against loss in investments?

A. Yes.

By Mr. Brown:

Q. What is the average of your annual deposits?

A. The average of our deposits at the beginning of this year was \$358.70.

Q. That is the average annually?

A. Yes, sir; distributed among over two hundred and sixty-five thousand accounts.

Q. Have you any suggestions to make as to any inadequacy in the present laws?

A. No. We think when the last Legislature exempted us from the payment of the four mills tax, it did all we could ask.

Q. What does this exemption of the four mills tax save you annually?

A. The last tax we paid amounted to between sixty and seventy thousand a year.

By the Chairman:

Q. What had you paid prior to that?

A. It varied from sixty to seventy thousand. It all depended on the character of investments.

By Mr. Brown:

Q. That exemption has gone to the benefit of whom, Mr. Wilcox?

A. To the benefit of the depositors, because we were enabled to put up the rate of interest payable to depositors. Within the last four years we put the rate up from 3 to 3.65 per cent.

Q. Did you make any increase after the exemption of this tax?

A. We made an increase, January 1, 1909, from three fifty to three sixty-five.

Q. You heard Mr. Patterson's remarks relative to the Act of May, 1909. Do you place the same construction upon that Act as he does?

A. I am not sure I understand Mr. Patterson's construction of the Act. My understanding is that under the Act of 1885 it was made the duty of the treasurers of private corporations to deduct the tax in cases where interest is paid to residents. Of course, they never have done it in cases of non-residents. The Act of 1909 applies to us in the same clause—not as non-residents, but simply on the broad ground of general policy, as residents—but we do not have to pay the tax. It seems it is a matter of personal opinion whether the Act of 1885 applies to corporations like a railroad company—whether they should compute the interest and deduct the tax. Of course, I really don't see the object of putting that clause in the Act of 1909, unless it was meant by implication to exempt them——

Q. Your society has not taken the position that they can invest in bonds irrespective of the tax?

A. We do not consider the tax, no.

Q. You don't see any advantage in buying taxless bonds?

A. No. It was not in order that we would be enabled to buy some of the various bonds issued by municipalities

of this Commonwealth which were not taxables that it was necessary to get the exemption, but that we were practically precluded from buying these bonds. All that Mr. Patterson has said about the property or advisability of the exemption of saving fund deposits from the four mill tax I think we would heartily endorse on general principle; not because we wish to avoid the tax, but it is just a question as to whether it is not advisable to encourage thrift.

Q. Who are your largest depositors, Mr. Wilcox?

A. Our deposits run this way: According to a statement given out the first of January, 1908—but I have some data here (reads): We had two hundred and sixty five thousand accounts. Those of one thousand dollars and over amounted to 14,987 at the end of 1909; two thousand dollars and over, 3,752; three thousand dollars and over, 1,467; four thousand, 601; five thousand, 316; six thousand, 146; seven thousand, 81; eight thousand, 45; nine thousand, 41; ten thousand, 27; ten thousand is the limit of deposit that anyone can make in the institution. That is by a resolution of the Board. Under our charter we are not allowed to take more than five hundred dollars from any one individual in any one year; so that, to accumulate a fund of ten thousand dollars would take somewhere between nineteen and twenty years, owing to the accumulation of interest.

Q. Do these accounts over two thousand dollars represent what might be termed the poorer class?

A. There are 3,752 of two thousand and over.

Q. Whom do they represent?

A. It would be hard to say. I think many of them belong to the housekeeping class—some who take in boarders. Many are women depositors and a number are well-to-do people. The latter would come in the higher classes, say seven, eight, nine and ten thousand dollars. Most people when they get a deposit amount to five hundred dollars or over draw it out to get better investments. That is always our advice to them.

Q. Your object is the promotion of thrift?

A. Yes. We would rather confine our business to the poor people who need a saving fund.

Q. What amount has your society received in the way of unclaimed deposits?

A. Since the formation of our society we have paid over to the State somewhere between thirty and forty thousand dollars in unclaimed deposits, although there is a general impression that we have a vast accumulated fund there.

Q. Yes, I remember the litigation you had.

A. Under the law, we pay over to the State every year all deposits unclaimed for the preceding thirty years. Of course, we are getting in a larger class of depositors all the time. As soon as ten years elapse we begin a systematic search in order to locate our depositors.

Q. As I understand it, you advertise for the depositors?

A. Not only that, but we employ counsel to make searches and hunt up clues to locate our depositors.

Q. Is that observed by other similar institutions?

A. I think so, but I do not think it is to the extent that we do.

By the Chairman:

Q. Of the sixty or seventy thousand dollars saved annually by the exemption of the four mills tax, what per cent. reverts to the benefit of the depositors?

A. You might say all of it. It was not so much to us at one time as it is now, when it is of value to us for investment, or when it was, when, in very exceptional cases, we could go out of the City and buy outside securities. In looking ahead, we saw that in ten or eleven years a great many very high rate securities would be paid for; they would mature, and we would either have to take a new bonus at a very much higher rate or take the money and reinvest it. It was a great deal easier when we were exempted by the Legislature, because we could give our

depositors 3.65; and we don't see why we cannot be exempted indefinitely.

By Mr. Brown:

Q. Has the Commission any more questions?

The Chairman:

A. No, sir.

GEORGE STEVENSON, of the Private Bankers' Association, spoke as follows:

Mr. Chairman and Gentlemen of the Commission: As was stated this morning by one of the gentlemen who spoke, I am not here to ask for any exemption on account of the private bankers and brokers, but simply to ask that they be treated exactly as all other business men are treated. While I represent in my authority simply the Private Bankers' and Brokers' Association of Philadelphia, having no delegated authority from anybody else outside of the City, I have been on this question for our people here so long that I am sure our interests are all one.

The bankers and brokers have for years been singled out by legislative enactments for special taxation, to which any of our unincorporated private brokerages have been subjected.

At one time there were on the statute books five different acts of the Legislature which made us liable to pay about 12 per cent. income tax after we had taken out our licenses.

The Act of 1841 classified a license tax of \$100 on us as bankers and as exchange brokers. As you know, the business of a broker and the business of a private banker can hardly be separated. We then had to pay a 3 per cent. tax at the beginning of the year in the matter of licenses under the Act of 1850. The assessors, in order to get at it, would figure on the amount we made the year before; and every year we would have to go to them and tell them that, if they would guarantee us that we would make the same money in the present year that we did in the last year, we would not hesitate to pay it, but that we did not think it was right for us to be compelled to pay the 3 per cent. for the coming year, because

we might die; but they enforced that, although they did not enforce it to the fullest extent.

Then there were the Acts of 1861, 1868 and 1879, all of which required us to make a sworn statement to the Auditor General and pay 3 per cent. of our net income. The first acts existing were either repealed or changed. The Act of 1868 added something to the list of those who were taxable and the Act of '89 added some more.

We had these questions up several years ago before a committee in the House of Representatives, and also at another time when it met in the Senate chamber, and also again before a Tax Commission that was formed here and of which Mr. Patterson was one of the members. In all these cases, both before the Committee of the House and the Tax Commission, this was cited as an injustice; and in all these cases they incorporated in their report a paragraph which was intended to relieve us of these. The Tax Commission passed an Act suggesting that, so far as we were concerned, we should pay a tax for license at the commencement of the year, and that we should pay no other tax. That passed the House of Representatives and it finally passed the Senate. Eventually, after working a number of years, we secured the repeal of the license tax of four mills, but we now pay, under the Act of 1907, a graded license tax of five, ten, fifteen, twenty—up to one hundred dollars. Now, we have to pay this income tax, which nobody else pays in the State except ourselves, but they did make it 1 per cent. upon our gross. Now, today, we are paying a license tax the same as everybody else, but we are also compelled to pay a tax of 1 per cent. on our gross receipts. I think it is very unjust that we should have to do it when nobody else does. No sooner is the return made than it is spread out in the newspapers, which, you can understand, is a very serious thing for the business, more especially if each year is better than the year before. Then, in addition to that, within the last four or five years we have had to

make a return of our personal property. So, if the personal property tax, the four mills tax on money at interest, and the others are enforced, there is no question but what we would have to close up shop, simply because, as you are aware, the four mills tax is from 8 to 10 per cent. income tax on our money coming in, while the rate for money is from 4 to 5 per cent. In our business our earnings are largely from money at interest, and it comes from money at interest largely which is not our own. It would be impossible for us to resume the return. It might at some time of the year catch us with a large amount of securities passing through our hands on which we may not have had interest for more than twenty-four years. Now, if that was the time we had to make the return, we would have to pay the four mills tax.

I had these questions up before and I propounded them to persons whom I thought might assist me, but they all said they could not answer the questions.

Take a case like this: Take a man with \$100,000 capital in his business. If he borrows \$300,000 from someone to loan to somebody, he has to pay the four mills tax on the \$300,000, when he only owns but \$100,000. The comparison could be made much wider than that. There are a great many questions I could propound to you. The nature of our business is such that all, or a very large amount, of our profits come from money which we loan, and if we have to pay the four mill tax that is more than the profit on the whole thing. With these taxes, the rates for money and the rates for loans being low, after we take out our expenses there is nothing left.

It seems to me that the Legislature should class us the same as everybody else, making us pay a license tax, but not compel us to pay taxes that nobody else is required to pay. This is the burden of our argument.

By Mr. Brown:

Q. What has been the cause of the addition of this tax upon your class?

A. The first tax?

Q. All of them.

A. The first tax was passed away back about forty years ago, I think. I can see no reason for it. I have heard reasons suggested, but I cannot say. There was a suit brought about forty years ago before the Supreme Court to have it set aside, but I believe the decision was against us and we have had to pay it ever since. The reason for the enforcement of the four mills tax against us in the last year arose out of a decision of the Supreme Court in a very peculiar case; but, of course, it would be very unwise for me to question the decision of the Supreme Court. There was a case where a banker had a ten thousand dollar mortgage at 5 per cent. and sought to be excused from payment of the four mills tax because he paid a 3 per cent. income tax. The Court made the argument that the four mills tax was forty dollars, while the 3 per cent. income tax would amount to one dollar and fifty cents. I believe they had the privilege of carrying it to the Supreme Court, and it was argued that where a man had a mortgage of ten thousand dollars and received five hundred dollars, he should pay forty dollars. What he objected to was that he paid not only 3 per cent. on that, but 3 per cent. on every cent he made. That was the reason it was enforced.

MR. J. HAMPTON BARNES spoke as follows, under interrogatory of Mr. Brown:

Q. Do you think the tax on trust companies today is as heavy as it should be, Mr. Barnes?

A. Yes, sir.

Q. What about the trust companies that are earning 3 per cent. dividends. Do you think the State would be justified in levying additional tax upon trust companies, assuming that they could or are able to earn dividends of that size?

A. As I understand it, the basis of the taxation is the property owner, and that is the business on which the trust companies are now taxed.

Q. What is your thought on the return by the companies of the deposits for which certificates have been issued so as to secure the payment of the tax?

A. There are practically no certificates issued now. The deposits of a trust company are payable on demand and not on time. They have the same relation to the depositor that his bank book has—merely a form showing that he has placed money in the hands of others who are accountable to him.

Q. That is an evidence of money bearing interest?

A. No more than a bank book is.

Q. Why should not such money at interest be taxed just the same as money that is invested in a mortgage?

A. That is a question I cannot discuss. The usual answer is that it is current money and not money invested. One's bank account is subject to draft, and it may belong to you or it may belong to the depositor, or it may be money for which he is accountable to others, and he could not be said to own any property in the sense that it should be taxed.

Q. There seems to be a general complaint in the City that on money at interest some want two weeks time when they ought to pay it right away. That is what we are trying to ascertain—whether or not that could be effectively and fairly done?

A. Your rate advances and creates principal nearly always, and until the balance is found you could not say what represented the property of the hundreds of persons.

Q. Why couldn't the company return the average deposit to him and then deduct the tax before paying him the interest?

A. It might be so with an individual who kept up his personal account and did not carry on a business. If he made collections and deposits from time to time, it would only be the difference between his transactions, or, in other words, his profits, which would represent something that should be taxed.

Q. Is there any difference in saving fund deposits and those of a trust company?

A. I am not very familiar with saving fund organizations.

Q. We would be very glad to hear any thought you may have on the subject.

A. I have none that I think would be of value to you.

By the Chairman:

Q. Mr. Barnes, I understand you are a lawyer?

A. Yes, sir.

Q. You are called upon in your capacity to make up the reports for the tax year?

A. Yes, sir.

Q. Would you find it more advantageous to have that report made up at the close of the year and have it close the 31st of December, instead of the beginning of November?

A. Yes, it would be more advantageous to have the fiscal year end with the tax year.

Q. So that the treasurers of corporations would be better able to ascertain the profits for the year, when closing December 31, than they could otherwise, because many corporations have their business close on the 31st on December?

A. That is true.

Q. Then you think that would be a commendable change in the law?

A. I think so.

MR. HENRY B. BARTOW, of the Farmers' and
Merchanics' Bank, called.

By Mr. Brown:

Q. Is there any thought you have as to any changes in the laws.

A. I don't think it would be practical to tax certificates of deposit. They are in and out and bearing interest at the same time and the depositor can come in and take the money out and invest it, and that money should not be taxable.

Q. Are there many of these deposits in your bank?

A. We have fourteen to fifteen million deposits and only fifteen thousand certificates of deposit.

Q. Is the average about the same as other banks?

A. Well, averaging the Philadelphia National Banks, their certificates of deposits won't amount to twelve thousand.

Q. They are infinitesimal?

A. Yes.

Q. Is there any other feature of the State laws relating to National banks that you think should be gone into?

A. I think not.

Q. You think this is the consensus of opinion among the National banks?

A. We pay four mills, which I think is a fair return.

Q. And that is what they all think?

A. I cannot speak for others; I am only speaking for our institution.

Q. Our object is to get the thought of those who are interested. I thought the opinion of your folks would be a fair criterion.

A. I have never heard, but I would be glad to get the Secretary of the Clearing House, Mr. Boyd, to write you on the subject.

Mr. Moyer, Chairman:

On the question of certificates of deposits, I assume that in the City of Philadelphia there is not a great deal of that done with the banks and trust companies; that is done principally through the saving fund societies.

Mr. Brown:

I think you will find this done in the trust companies.

Q. Take the Girard Trust Company, for an illustration?

A. The amount of certificates of deposit is six thousand in round figures. Then there are others, of course, that are higher.

By the Chairman:

Q. Do you mean six thousand certificates?

A. Six thousand dollars.

Q. It is not done with money on two weeks' notice?

A. No.

Q. Do the State officials ever make any special effort to ascertain if the returns made by the banks are true?

A. We are examined by the National Bank Commission.

Q. I know, but do the State officials ever make any efforts to prove the correctness of the reports made?

A. They take our return as we file it—they accept it.

Q. That is the way with all the banks?

A. Yes, sir.

Mr. Brown:

Have any of the gentlemen of the Commission any questions to ask Mr. Bartow?

Mr. Moyer, the Chairman:

No.

ADJOURNED 3.30 P. M. Next meeting to be held in Pittsburgh, Penna., on March 24, 1910.

Public meeting held at the Chamber of Commerce, Keenan Building, Pittsburgh, Pa., Morning, March 24, 1910.

Meeting called to order by Vice Chairman Gabriel H. Moyer, at 11.15 A. M., March 24, 1910.

Vice Chairman Moyer: Gentlemen:—This Committee was created by the last Legislature for the purpose of holding hearings and making certain recommendations to the next Legislature as the result of those hearings, to see what could be done to revise the present taxation laws wherein they are defective. We have selected as our counsel Francis Shunk Brown, of the Philadelphia Bar, who will outline the work of this Commission more fully.

Mr. Brown: Mr. Chairman and Gentlemen:—As you have stated, this Committee has been appointed for the purpose of considering the regulation of corporations, and also the collection, taxation and appropriation of State moneys. The Committee organized shortly after the adjournment of the last Legislature in June last, and it was deemed expedient at that time to commence active work for the reason that the Government had been passing Federal laws covering the same subject as was in the purview of this resolution. Nothing was done until in January or December, when the Secretary promulgated laws and regulations for the collection of the taxes. It was then considered wise to proceed with our hearings so that the sentiment of the people who testify could be had on this subject. I think, if I mistake not, that this is the first, probably not—committee of the Legislature which has gone about from place to place for the purpose of gathering information, which would be of benefit in framing any new laws which would be proposed to the General Assembly.

We have met in Philadelphia and had several meetings there, and we have had before us practically all the interests concerned. We first called the charitable institutions and hospitals to ascertain from them whether or not it is wise for the State of Pennsylvania to appropriate money to take care of institutions not under her control.

We also called before us the manufacturing interests, banks, trust companies, practically every activity that there was in that City. We are here to-day and to-morrow and as long as may be necessary to gather from the people here their thoughts and views upon these subjects. There seems to be an impression that this Committee was appointed for the purpose of increasing the revenues of the State, in other words, to increase the funds of the State. It was simply to consider the present laws as to the formation and regulation of corporations, whether our laws were sufficiently liberal, or whether they should be corrected as to the formation, regulation and taxation, and not for the purpose of finding more subjects upon which taxes should be levied. Now, as I say, we are here in your midst for the purpose of asking your assistance and co-operation, so that this Committee may give to the next Legislature your views on the subject. You gentlemen are fully aware that these subjects are being considered all over the world to-day for the purpose of treating with these matters, and Pennsylvania is simply in line with the progressive movement that is being made in this direction.

We will be very glad to hear from those who are especially qualified and interested to speak upon the subjects involved in this resolution.

Mr. Chairman, I have no list except ten or twelve who have written to me expressing a desire to be heard, and I presume until we get formally going, we will have to do the best we can. Mr. Frank Stephens, who represents the Single Tax Society of Pennsylvania, is here and desires to be heard, and I suggest we hear Mr. Stevens first, and take up the others later.

Frank Stephens, representing the Single Tax Society of Pennsylvania: Mr. Chairman and Gentlemen of the Commission:—The Commission has to do with the consideration and reporting upon the corporation laws of this State and its taxes, and will not have gone very far in its great work without hearing the complaint that the present taxation laws are unduly burdening real estate owners. I wish to ask the privilege of speaking to you about that, and then briefly about those taxes that are proposed to relieve real estate owners.

I desire then, gentlemen, to take so much of your time as may be necessary to speak of this complaint, that real estate is already overburdened, to speak upon the subject of property taxation, and what has been considered in that regard and suggested by the Single Tax Society of Pennsylvania.

The Auditor General in his last report has called attention to two things relating to overburdened real estate at the present time, under the present law, and many proposals have been made to lessen that to the last General Assembly in its last session. There were many propositions offered to effect a change in this regard. The Pennsylvania State Grange called for the equitable taxation of personal and corporate property, and the complaint was made that under the present system of real estate owners are annually robbed of about \$35,000,000, and that this policy of the State has driven from the State over one hundred thousand farmers, from twenty-two counties. If that is so, it is a very serious matter. We are not here to contend that the farmer is not handicapped. But we think there are other elements entering into it.

The Grange brings for the illustration of the hardship of the present law. We may suppose naturally that this illustration is as strong as any the Committee can show.

Take two citizens of the Commonwealth. A buys a home for \$1,000, and is required to pay a tax from \$20 to \$30 for the support of the schools, roads, poor, etc. B invests

his \$1,000 in personal property, bonds and mortgages, and is taxed \$4 for the support of the State, and nothing for the home government, the benefit of which he enjoys equally with the other.

Presumably these citizens are each worth one thousand dollars, and live substantially on the same plane. B, the \$1,000 bondholder, it may be assumed, rents from X a house worth \$1,000 in which to live; for this house the landlord, X, charges rent, which rent includes interest on the investment, prospective repairs and taxes, \$20 to \$30. A and B, therefore, pay equal sums in support of the home government. We might contend that B in paying to the government at Harrisburg the four mills tax, is paying that much more than A pays, but this is not true. B does not actually pay the \$4, although he appears to do so. He lent his \$1,000 on mortgage to a widow, on a little house assessed at \$1,000. B would be satisfied with 5 per cent. net, but as the State penalizes him four mills for helping the widow, he adds that charge to the interest rate. The widow therefore pays him 5.4 per cent., and he pays the State four-tenths. Finally, the burdens are thus adjusted: A pays \$30, B pays \$30, and the widow pays \$34.

Thus the State of Pennsylvania, indirectly, unintentionally, but surely, mulets the widow of an extra \$4 yearly. Why? Not because the State has done her a service, but because B has done so. Four dollars will buy sixty-five pounds of sugar, which is the widow's forced contribution in excess of that made by A and B. Let us see what becomes of the \$4. It goes to Harrisburg, but in due time the State Treasury returns \$3 to the county, according to the Act of June, 1891, for the equalization of taxation and the relief of local taxation in real estate. Actually, therefore, the widow pays \$1 to support the State Government, while A, B and X pay nothing. Furthermore, the widow's \$3 return to relieve the unincumbered dwelling owned by A and X. So the State tax on mortgage is a tax upon her poverty to relieve their prosperity.

Consider further, X, the landlord of B, himself lives in his own house assessed for \$5,000, though he owns several houses whose total assessment is \$20,000. It might be thought that he would pay \$600 in taxes, yet he actually pays only \$150 on the house which he occupies. The balance, \$450, of his tax bill of \$600 is paid by his various tenants, concealed in their several monthly rents. Each tenant contributes taxes to the county in proportion to the value of the real estate actually occupied.

Consider further: one of the X properties is occupied by Mrs. Blank, who takes boarders. The boarders are charged alike for food, but the charges for lodging vary. A \$1,000 clerk pays high for the second floor front, but a seamstress pays low for an attic room. X, the owner, does not actually pay the tax upon that house, nor does the landlady, Mrs. Blank, pay it; it is paid by the various tenants in proportion to the value of the real estate occupied by each. As with merchandise, so with real estate, the consumer, tenant, pays all charges, including interest, profit and taxes. It follows therefore that if all local taxes were drawn from real estate each citizen, owner, tenant or sub-tenant would contribute in proportion to the value of the real estate actually occupied by him or her, whether that real estate were a house or only a room in a house. Every person uses real estate, must use it, and, unless he is a criminal or a pauper, must pay the taxes upon it. Furthermore, people in general live on a plane befitting their means; it follows, therefore, that an equitable real estate tax for all purposes would approximate with reasonable closeness to that plausible formula of taxation laid down by Louis Blanc, viz.: "From each according to his ability." Nevertheless, our school of thought improves upon that formula. The great law of Nature is, "Service for service," and the State is not absolved from natural law. The most modern justification for taxation is by the benefit received theory. Purdy explains it concisely thus: "There is no reason why different principles should be advanced to justify payments to

the State from those which justify business dealings between man and man. All ordinary business dealings are based on the exchange of equivalents. The storekeeper does not grade his prices according to the income of the purchaser, but exacts the payment in proportion to the value of the article sold. This is the natural principle to be applied in the affairs of State, and each taxpayer should be called on for the equivalent of the pecuniary benefits he receives from the State—no more or less.”

Concerning this pecuniary benefit I shall speak later.

The study of the incidence of taxation and its effect is limitless. I can touch only a few subjects, first asking attention to recent proposals for increasing State revenues. As a means towards such increase, and the relief of real estate locally, it was proposed to increase taxes upon mortgages, money at interest, banks and savings funds having capital stock, and upon ordinary business corporations; also upon manufacturing corporations whose capital stock is now exempt except as regards its real estate locally. Let us consider whether such proposals are politic; afterwards, if they are possible.

A mortgage is practically a partial title paper to real estate. The real estate itself being taxed, it would appear to be unjust to tax also the paper title. It is unquestionable that the tax is almost invariably shifted to the borrower. It imposes, therefore, double taxation; and incumbered property pays more than a free one. The impropriety of taxing mortgages annually has been acknowledged by New York State, which in 1906 abolished the annual tax, substituting a recording tax of five mills, paid once for all. Nor are mortgages taxed in Baltimore.

Defining the word “capital” as wealth used in business for profit, it is an axiom of political economy that taxes upon capital are shifted, will not stay put, and are finally borne by consumers. Note the advertisements of mortgages at 5.4 per cent. The report on taxation, 1871, to Philadelphia City Councils, refers to mortgage agreements, that the

borrower shall pay all taxes levied upon the principal, interest and rents. The Act of June 1, 1889, made it unlawful to require borrowers to pay the tax. Therefore, since that date no law-abiding citizen has required the borrower to pay the tax; he has simply raised the rate of interest enough to cover the tax, and then has himself paid the tax to the State. The Assembly of 1889 might just as effectively have passed a bill requiring the Susquehanna River to run northwest instead of southeast.

A bill to increase the tax upon mortgages and money at interest might justly be entitled "A bill to decrease the supply of capital." The Wells report to the New York Legislature, referring to the days when mortgages in some counties of Pennsylvania were exempted from taxation, said: "The influence of the exemption has been most beneficial to the districts affected by it, so much so, to use the words of one conversant with the question, 'that if it were possible to take in, as from an eminence, a view of the whole State, the counties in which mortgages were exempt from taxation would be as readily distinguished from the others as would be a field of luxuriant wheat or corn from a field of scrub oak or brush wood.'"

Vice Chairman Moyer:

Q. Mr. Stephens, you refer in your argument—you state that the State returns \$3 out of \$4 to the several counties in this Commonwealth. Do you think that under the law that that really works a hardship on the several communities affected?

A. In what regard?

Q. By referring to the several counties, taxes raised—

A. It can't refund any more than it gets from the several counties. As I understand, the State collects and refunds about nine millions of dollars. I mean collects about that and refunds about seventeen millions to the different counties.

Q. What would you say as to a man having all his

money invested in real estate, and his neighbor having all invested in personal property—what obligation his neighbor who has no money invested in real estate—what obligation is he under to the State?

A. His money is invested either in business or in real estate values; that is where these investments go. If you tax these real estate values, then these investments of his are paying revenues to the Government of the State directly and not indirectly.

Q. Suppose he has \$100,000 invested in a business having no form of taxation, is it fair that a man should be relieved from paying any tax?

A. It is absolutely fair from our point of view, because believing that these things that are right are the only things that pay in the community, and we believe that the only tax levied upon real estate is a tax that is levied upon a certain privilege which the Government gives and takes which he can pay with no loss to himself. We believe it is no function of the Government to find out how much a man has, or say a man shall not have any more than this or that, and that we will take this much from him, and it seems to us wholly misleading in this connection.

A bank is a labor saving invention, a blessing to any community, a clearing house to a neighborhood, and, as most of the transactions of banks are accomplished by credits and debits, a bank is the bookkeeper for a neighborhood. Why tax a blessing? Why not invite it? If banks make money, they do it by giving service. The present four mill tax does not sound big, but if my bank, with \$100,000 capital, has earned 6 per cent., it is an income tax of 6 2-3 per cent.

Mr. Brown:

Q. Mr. Stephens, taxation should be based on the production that a man has?

A. Yes, sir.

Q. What is the difference in production of a man who owns a house and his next door neighbor who does not own any property, but has the same value in securities?

A. He must live somewhere, and where he lives there he is paying.

Q. He is living in this house next door that is taxed, provided he is a boarder, and is paying probably \$4 or \$5 a week——

A. Because he is already paying for the production in the rent he pays, and where he pays for board, he is charged for what the owner of the house is paying.

Q. Do you say tax should be on the land?

A. All of it.

Q. How do you value land for taxation—putting it to natural value or social value?

A. It would have its worth in the market, let the market determine that. Such a valuation is made today by every assessor. He says this land is worth so much, in other words, it will be commensurate with its rental value. This land will rent for so much and that rent is at the present rate of interest.

Q. Do you know that in Pennsylvania today there is a billion and a half of intangible assets taxed?

A. Yes, sir, I have heard that.

Q. The total value of real estate in Pennsylvania today is about three millions of dollars?

A. Yes, sir.

Q. Now, isn't it a fact that those who think like you have about come to the conclusion that in view of the experience of Pennsylvania, there is no reason why they should not tax the intangible as well as the tangible property of Pennsylvania, because she has reached one-half of them and the percentage is increasing far away ahead of real estate?

A. Is it so that she has reached one-half of them?

Q. One-half of it.

A. Your assumption is: if these figures are correct, or that says you have a return for personal property to the extent of one-half the real estate value, but that does not prove that it is to the extent of one-half the true personal valuation. Our claim is that no power in the world can say what the true value is.

Q. Pennsylvania has certainly surprised all other Commonwealths; isn't that a fact?

A. I can't give you any information from other States.

Q. Let me ask you how would you tax this lot with a house off it?

A. I would tax it at exactly the same amount whether the owner used it or kept it.

Q. What amount would you tax it at, in comparison with the lot next door with a twenty-story building on it?

A. How?

Q. Would you tax it the same?

A. Yes, sir. A real estate man in estimating these values, estimates the value of the improvement so much according to the value of the land, as distinct from the land.

Q. How can he estimate the improvement without any improvement on it?

A. Then he doesn't have to estimate it. He always estimates the value of the land as a separate item.

Vice Chairman Moyer:

Q. What do you think of the present liberal policy of the State appropriating about fifteen millions of dollars for the support of the public schools of the Commonwealth bi-annually, about seven millions of dollars for charitable institutions and several millions for the purpose of maintaining better road systems? Do you believe that that liberal policy could be maintained by taxing real estate alone in the Commonwealth?

A. I believe it would far exceed—I believe that the maintenance of these roads is a State function—I mean

a Government function. I don't believe it is the function of the State to give to private institutions.

Q. You mean charitable institutions?

A. Yes, sir. But there is no question in my mind if such an assessment were made on the system that is in use in so many places now, as Massachusetts, New York, New Jersey, Ohio, and the principal cities of this country, it would bring up the revenues in this State.

Q. Your argument is that the present system is faulty because of its inequity?

A. Yes, and that that is the essential part of it.

Mr. Hunter: We would be very glad to take you into our consideration if you would submit a brief. Is that your thought, Mr. Brown?

Mr. Brown: Yes.

Mr. Stephens: While it appears to us that taxes upon personal property are in their nature unwise and inequitable, let us consider the possibility of collecting them equitably. It is, of course, possible to collect from a person property which is a matter of public record, such as the capital stock of corporations, mortgages, judgments, etc. Pennsylvania collects large sums from such evidences of property, yet our methods are so clumsy and puerile that evasions are coming. They will increase if the temptation be increased. Of course, a bank cannot escape an increase upon capital stock, but if the burden becomes discouraging there will be fewer banks. It would require a large clerical force to audit the taxes upon mortgages and money at interest, but if the work could be done successfully, then either the rate of interest would be permanently stiffened, or else such capital would flow to neighboring States, where it would be free from espionage.

Mr. Brown:

Q. Has your society endeavored to secure the consensus of opinion of the land owners on this subject?

A. No, sir.

Q. Do you think you voice fairly the consensus of opinion of the land owners of this Commonwealth?

A. Not for one moment.

Q. They are practically unanimous against it?

A. I never saw a body of people who were not practically unanimous against putting tax on them—the privilege they receive from the State. They try to shift the burden upon somebody else.

When Benjamin Franklin was examined before the British House of Commons relative to taxation, he was asked, “Do not they as much as possible shift the tax off from the land to ease that, and lay the burden heavier on trade?” He answered, “I have never understood it so. I never heard such a thing suggested. And, indeed, an attempt of that kind could answer no purpose. The merchant or trader is always skilled in figures and ready with his pen and ink. If unequal burdens are laid on his trade, he puts an additional price on his goods, and the consumers, who are chiefly land owners, finally pay the greatest part, if not the whole.”

From the dawn of time men have evaded the tax upon personalty. What is the remedy? There is none. Ten thousand Governments have attempted the impossible; none have succeeded. When English tax collectors, to induce correct returns, courteously pulled the teeth of the Jews, did they succeed? A previous witness has quoted Gibbon, who tells of the rack and the scourge and horrid deaths, those persuasive but fruitless methods of the Roman tax gatherer. Josephus tells us of a tax gatherer who, to induce correct returns, beheaded 20 leading citizens. Have any such Governments succeeded? From the horrible terms of Lancaster county to the horrid deaths of Rome, every device has failed. Everything and everywhere. You tell us this is ancient history. I call modern witnesses. The present Mayor of New York City a few weeks ago characterized the operation of the general property tax law as grotesque, calling for the abolition

of the law. The State of New York is financially prosperous only because its outrageous laws taxing personal property are systematically despised and evaded, except, alas, by the widow and orphan, whose legacies are taxed in the Orphans' Court. Upon them, says Purdy, "The cruelty is sometimes heartbreaking."

I don't want to claim everything for single tax. I would call your attention to these quotations from certain authorities; for instance, William Penn; he says in a certain discussion of his that: "If all men were so far tenants to the public that the superfluities of gain and expense were applied to the exigencies thereof, it would put an end to taxes, leave never a beggar, and make the greatest bank for National trade in Europe."

Public attention has recently been called to Franklin's letter in 1768 to Dupont, whose name is borne by the powder works in Delaware, where Dupont died. Benjamin Franklin was an able speaker and a single taxer. In this letter Franklin declared his adherence to the new French doctrine known as the "impot unique," the one tax, afterward developed and preached by Henry George under the name of Single Tax. Franklin, as I have already said, was a single taxer. At the settled age of 62, Franklin claimed that he was perfectly charmed with it, because it was such a mixture of goodness and wisdom, and that he hoped it would increase and grow until it should govern the whole race.

In conclusion, this matter will either be a tax of labor or what labor does, or of privilege and the many privileges that the State gives to any individual, the privilege of certain land that in reality was not made by any man and that no man has any title to it.

I thank you very much.

DR. SAMUEL B. McCORMICK, Chancellor of the
University of Pittsburgh.

Mr. Chairman: As I understand Mr. Brown and the Committee, the purpose is two or three fold of this Committee. From your statement one is with reference to the classes of institutions which are the recipients of this tax, which is levied upon various interests of the State.

I represent, speaking entirely upon that point—I represent the University of Pittsburgh. It is well known that in the State of Pennsylvania there are the two Universities: one in the City of Philadelphia and the other in the City of Pittsburgh—these two apart from the State School at State College, and that these institutions have been receiving some support from the State on the ground of public utility by service to the State; and the justification for this lies both in the fact that these institutions are doing charitable work, and that they are doing an educational work, which can be done alone by institutions of this kind and under the support of the State. It is well known that in many of the States of the East, all States in the South and West, very large appropriations are made to what is called the State University, sometimes including all educational interests, and sometimes standing by itself, with the State's School mechanical and agricultural, as well as the larger department of education in the normal schools; sometimes these are all together in one, sometimes separated in three. In the State of Pennsylvania, it has come about in the process of time that two universities were found to be necessary, and these were established in a great distance one from the other—in Philadelphia, I think, about 1740, and the University in 1787. This is because of the fact that the natural features of the State practically demand that there shall be two institutions instead of one. And it is to be re-

membered that the appropriations are to be made to these institutions, excepting the State School, which stands by itself, because of the fact that they do serve the State. They are not colleges, nor in either case is any of the money appropriated used for the college of this University, it is used properly with reference to that part of the institutions that serve the State.

Now I wish to call attention, in the very briefest form, to the work which the University of Pittsburgh—and it is exactly the same as in the Eastern part of the State—which the University of Pittsburgh is doing. In the first place, I wish to mention the local charitable work that has been done. I want to call attention to three of these things, and these really are matters of information, not only to your Committee or Commission, but to the community itself, because so much of this work is done without the general public knowing it. First of all I want to refer to the dental school, and there are very few people who realize how essential the dental school is to the health and well-being of the community. With reference to the infirmary at the dental school—the clinic, we call it—there were three thousand patients, charity patients, treated last year. At the present time the charitable institution, or say the dental school, is doing work for the children of the Industrial Home for Cripples, the Home of the Good Shepherd, Pittsburgh Free Dispensary, as well as the public schools in the poorer districts of the city. And in these institutions free attention is given to the teeth and instruction in regard to them. In one institution a room has been fitted up for this class of patients, and a chair has been installed in another. Now, the faculty, in addition to all this, is arranging to extend the work to all public schools who are not able to pay for it. Now, not only that, but all over Western Pennsylvania there are difficult cases, and often-times charitable cases, where the patients are unable to pay and the school of dentistry receives these people from all over

the county from points 150 miles from the city, and many interesting cases which I have in mind have been attended to absolutely free of charge. And this work will go right on so as to cover all parts of this work, which must be done on a charity basis. I speak rapidly, and I speak with reference to this thing which is least thought of. I suppose there are no two men who know anything about the tremendous important work that has been done and is being done by the University of Pittsburgh. I am sure the University of Philadelphia is doing for the public along this line. Now, in the next place, we have the Kaufmann Clinic in connection with another department of the University. Many things have been added during this year that have increased the usefulness of that department. A resident physician has been employed and a large number of daily prescriptions are given, and 650 patients are treated monthly absolutely without a penny of expense on their part, mostly people who are unable to entirely take care of themselves along this line.

Then, with reference to the maternity hospital: a building has been erected, and many, many things have been done, and a resident physician has been employed, and the fourth year students in the medical department are put in there on duty in the hospital, and I do not need to describe that all these patients are charity patients. I do not think there are more than 2 per cent. that are anything else but charity patients, and when we stop to think, gentlemen, there are five thousand children, babies, in the City of Pittsburgh, delivered without a physician at all, with no service, or simply the services of a midwife, and think of the facilities that we have at our disposal for doing this work, only able to do a little part for these unfortunate persons, just a few hundredths of all that five thousand, we can see how essential is this maternity hospital, and the kind of work that it is doing. And now something must be done for the City of Pitts-

burgh to bring up a number that are to be cared for properly. A great work must be done, and it can only be done through the service of the State. Now, those are some of the features of the work, done on a charitable basis, of the Infirmaries of the State. It is a fundamental charity work, a work that is limited only by the amount of money that is at our disposal for this purpose.

Vice Chairman Moyer:

Q. Have you an endowment?

A. It is practically nothing. It is so inadequate—it is a mere trifle, comes from friends' gifts.

Now, with reference to the work indicated which is done in the—I have no doubt at all the same thing is true of the University of Pennsylvania. The work done in the University is for the entire community, which is not a local work. None of the appropriation ever goes to our college. It goes to aid the several lines of professional education which the University supplies in the matter of law, medicine, pharmacy, dentistry, engineering. I refer now to that part of the work of instruction for teachers which is not done by normal schools. In all these, as well as economics, it is done for the entire Western part of the State, having no reference at all to any local duty.

I will refer to one or two things. The University has been organized completely in separate schools, eleven in all; the college proper one, and our observatory as two, which is entirely scientific; there are only four studies there; omitting those two, we have the graduate school for the entire State, we have the engineering school which is for the entire Western part of the State, school of mines, school of education, school of economics, medicine, law, pharmacy and dentistry, making nine in all, nine departments of the University, but are serving not only local interests but interests of the State, and rendering that service to the State which is the basis upon which appropriations are made by the Legislature for educational purposes.

In our economic school we have developed a system, which is designed to meet the needs of young men who cannot spare the time during the day, and Philadelphia has passed us in that, for they have been at it longer than we, by rendering a service to the State in this way in the evening work, and this is true also in the department of education, which is of infinite value. The practical value of that work among young men cannot be over-estimated. In the development of the University along these several lines we have brought students from every part of the Western part of the State of Pennsylvania. Some twelve or fourteen hundreds—I don't remember exactly whether it was twelve or fourteen hundred—of students will be or have been enrolled in the University this year; all, with the exception of about one hundred and fifty, covering these departments which belong to the entire State—the departments which are of public benefit.

Now, it is for this reason, and for the additional reason that such universities, expensive as they are, cannot possibly be maintained by private beneficence, such as Chicago and Leland Stanford, which have some one person who is able to furnish the enormous sum of money required. It is because of the absolute necessity of these institutions and the community that the University of Pennsylvania—the two of them—have heretofore asked and have very generously received the aid of the State. It would be a public calamity, when we come to think of what poorly educated physicians mean to a community, poor dentists, poor men along all these lines, poor engineers to do our work, poor teachers in our high schools, and when we consider what poorly educated men in these things mean in the community, we can see how absolutely necessary these two institutions are to the State. The other one I do not speak for, because it rests on a different basis.

I call your attention to a final thought—that is, these institutions are necessary in large cities because it is

only in large cities that they can have the surroundings to do their work. In our medical department it is the big clinic that makes it so valuable to the students. The economic conditions around the engineer—we are familiar with the fact that Pittsburgh is the greatest center of engineering in the world, such conditions furnish tremendous liberality for that kind of work. These two institutions have been established in Pittsburgh and Philadelphia not because they were the first two large communities in history, but because they furnish the environment for such institutions. That is the general scheme. I have covered it rapidly, so that I may not unduly take your time. That is, in general, the organization, and the work that we are doing: first, fundamentally, charitable; and, secondly, educational for the whole community, not part, this is essentially fundamental to the well-being of the State.

I will be very glad to answer questions.

Mr. Brown: You have spoken of the benefit resulting to the whole community—what do you mean? What is the extent of the community?

A. From the mountains west, that is the community in general.

Q. I ask you if your graduates come from all over the State?

A. I can say they do. I do not mean to say that—we represent a dozen States for that matter, and students come from every part of the State of Pennsylvania and from other States also. Of course, when you get those who come from other States out, you still have the major portion of them. The students mostly come from the western end of Pennsylvania, but in addition to that, some come from all over the State of Pennsylvania.

Q. What is your thought as to what extent the State of Pennsylvania should appropriate money to support your University?

A. If to the furthest possible limit to enable the University to do its work.

Q. Well, has the receipt of State appropriations tended to diminish the private contribution to your University?

A. On the contrary, just the opposite of that. It is true, besides, that the larger appropriation of the State of Pennsylvania increases the amount of private gifts. That not only has been so, but is bound inevitably to be so, but the State and private are both essential to keep pace with the work.

Q. What portion do the private bear to the State appropriations?

A. Pretty fair pace. They go a little differently but pretty nearly equal in the last four years. Last year, for instance, we raised between \$250,000 and \$300,000 for the University, and the appropriation for the two years was \$325,000. That will give you a good idea. This year we are trying to raise an equal amount of \$250,000; that, of course, would mean that the private would be much in excess of the State appropriation.

Q. Do you feel you have attained your limit on private appropriations?

A. We hope to increase that very much, and we shall get it very much larger after awhile. Sometime we may get to a place where the people will become particularly generous, and we could lessen the amount, but not without decreasing the efficiency of the kind of service rendered by this University. The time will never come, I think, when the State should not make its appropriation to this work. It is the work for the State so directly that the health of the State is involved in it. All these things are so essentially important to the health of the State that the State should support the work of the University. I am not speaking for the main college, that is a matter for private individuals. But those things that involve professional education, wherein a man practices on the people, wherein the public welfare depends on the knowledge and skill of the practitioner, this is our thought; that the State should make its contribution, and I think

that is so, gentlemen, and I trust it will never be lost sight of for the University of Pennsylvania and Pittsburgh, and the necessity of having the State's direct interest in the institution.

Vice-Chairman Moyer:

Q. Does the State hold title to this property?

A. No, except in both cases the State appropriated the charter.; in 1787 the State chartered the Pittsburgh Academy. In 1819 the State chartered the University of Pittsburgh, University of Western Pennsylvania, and gave in that act, or supplemental act, the ground upon which it should be built, which, as it happened, was the park in Allegheny, which at that time the rights of the lot holders were such that they were not willing to surrender up the ground, and the State commuted the original grant to money. And it will be seen that the State of Pennsylvania not only chartered but established the University of Pittsburgh.

Q. What would be your thought of the consolidation of these universities?

A. That cannot be an account of the natural features of Pennsylvania.

Q. What kind of an obligation do you think rests upon the State?

A. That is an obligation, I would say, as the corporation is in both cases a direct charter of the State, it is not under a general law, it does not hold title to these buildings, but the State is back of the organization, I understand.

Q. Only so far as it appropriates money for its maintenance?

A. I mean, in the matter of creating it, and, therefore, being back of it, it is purely, not directly, under some general law, it is under the direct act of the Legislature itself. These universities have been brought into existence, but that is merely managing for the State, no indi-

vidual can ever claim title in these institutions. The State is managing these institutions through the Board of Trustees, which it has created. The obligation is just what I referred to, the obligation to the public health. These institutions were created directly by the State of Pennsylvania. The State has its own institution, managed by Boards of Trustees, which are under the direction of the charter, and the State, by its own men, controls them, and the work that they are doing is purely for the well-being of the community, and it is on that ground, I think, it is necessary for the State to appropriate money for these institutions.

Q. There is a great deal of discussion favorable to withdrawing State appropriations to our institutions?

A. I should think that would be very unfortunate if that should be done. These hospitals are created not for any private interests—I refer to the real hospitals—I don't refer to private hospitals, but I refer to hospitals that are managed by a Board of Trustees, who have no private interest in them, and the experience of the past has shown that the poor and unfortunate are cared for only through public aid. If you were to throw it over upon private beneficence, it would be done, there is something in the nature of man which responds to any demand made upon him, but it would not be done as it is being done to-day. It would be one of the most unfortunate things that would ver happen anywhere if that help should be withdrawn from those hospitals which are properly chartered and have no personal or private interest in them. The argument is still more profound, because these institutions are serving their community. Their whole reason is for the service they can render to increase the knowledge, not only educationally, but turning out skilled men and women in these several departments, and without them the community would just go down, down, down, down. The State has a direct obligation. It cannot discharge that obligation without distributing its money equitably. It is your place to make it as equitable as possible.

By Mr. Brown:

Q. Is there any reason why there should not be a consolidation of these hospitals? Could better results be obtained by having fewer and each better qualified?

A. I have never given thought to that. Hospitals should be in different parts of the city.

Q. That is included.

A. Yes, for the reason there is also, in a city located like this, centers of population that require hospitals, and I would imagine that our relation to these hospitals is very close, you understand, because of the essential between the two.

Q. Does your university use these hospitals for clinic purposes?

A. Yes, sir, practically all of them, that is one thing that makes the special department of our university almost of priceless value to the vicinity, because of the facilities it has for teaching these young men, the very best that can be gotten in the State of Pennsylvania.

Q. I ask you this question because I have received a number of letters saying that there are too many of these hospitals.

A. You will have to get some person better posted on that. That may be true for the moment, and not for the future. There may be at any particular moment an increase, but a community like this will soon catch up to the overflow.

Q. Do these institutions, so far as you know, give preference to any class of physicians?

A. Not that I know of.

Q. Complaint was made in Philadelphia that preference was shown to some physicians?

A. I do not think that that is true in this community. It has never come to my ears.

Q. How do you keep tab on the State money?

A. Every dollar of it, in all institutions—in our institution?

Q. Yes.

A. Every dollar of it. The auditor comes there four times a year and goes over the accounts.

Q. How about the present method of payment, are you handicapped?

A. No, sir.

Q. I have letters suggesting that there should be a State Board, which should purchase all supplies in bulk and then furnish these supplies upon requisition, the idea being that the State could buy them more cheaply than institutions?

A. That might be. That would be a matter of experience. Let each individual institution get under the direction of the State and take its place and get the lowest price. The things are not—there is not very much profit in them.

Q. Get a dollar's worth for every dollar expended?

A. Yes, sir.

Q. Under the present system—assuming the merits of distribution of charity in the way you are putting it—assuming that certain State institutions which should be built, ought the State to first finish these before she distributes this money to private institutions?

A. My theory is better go right on doing part and gradually working up.

Q. Do you think the greatest good and the greatest work could be accomplished under the present system?

A. Yes, sir.

Q. You do not use ahead?

A. Oh, no.

Vice-Chairman Moyer:

Q. Isn't it necessary?

Mr. Woodward:

Q. The auditor comes generally each quarter?

A. That is true about that. I think that is true.

Mr. Brown :

Q. Knowing the character of these institutions, is there any reason why they shouldn't have the money paid just as well in advance as in the end?

A. So far as I know, there is no reason at all.

Q. Do these men serve without pay?

A. Absolutely so, and that is one of the marvels—rendering service without absolutely a penny of pay—not a penny, directly or indirectly, which is one of the greatest things in the world.

Q. Have you folks made any effort to ascertain the difference in price paid for your supplies as compared with the price paid by others?

A. We watch it very carefully in our hospitals.

Q. By equitable proportions to each institution?

A. Yes, sir. It is like doing all the work at home before you do work in a foreign county.

Q. Suppose I say that in thirty-four States in the Union not a dollar is contributed, and in ten, one of which is New York, no money is appropriated for private institutions, and Pennsylvania is practically exclusive in that, what conclusion would you draw from that?

A. One conclusion would be, that it is about time that Pennsylvania began to toot her own horn.

Q. That it is about time the other States are getting in?

A. Yes; they are beginning to see the necessity for doing these things, and even old New England is waking up. I have been in the Middle West and West, part of my life—Colorado and Missouri—and I am not very old yet; there is a good deal of reflection on Pennsylvania along certain lines. I want to tell you that there is a whole lot of things in which Pennsylvania is so far ahead of the others that it is about time people were making them known, and that is one of them, Mr. Brown. It would be almost impossible to have all these things universally established. That would not be reasonable, you could not expect that. But the

tremendous work that Pennsylvania is doing along certain lines, is, in my opinion, it is about time the rest of the country was thinking about getting in the same band wagon.

Q. You think that the money appropriated for charity is fairly expended?

A. Yes; that is just what I mean.

By Vice-Chairman Moyer:

Q. So far as you know?

A. Yes, sir; so far as I know that is true. It certainly would be possible, with the large amounts of money appropriated—it would be possible—it would be impossible that some would not be misappropriated and misspent, you cannot get perfection anywhere, but I think most of the institutions are managed in the best manner, and Pittsburgh here demonstrates these features, and for the most part, I should say they are wisely and economically handled.

Q. Assuming that these monies are all wisely expended, and that the State is in need of more funds, do you think that these people, the representative business men of this City, that they would be willing to have the taxables increased?

A. I do not know. I never asked them that question.

Q. If the State performs these services, do you think more revenues should be raised for these purposes?

A. I presume that would be true. I think it is fundamentally necessary. I do not know any more important matter before us than the matter of taxation—than the matter of proper, wise, just and equitable administering of the laws of taxation. But, on the other hand, the causes for which this money is given are so eminently necessary and good, that I feel that good men everywhere would be ready to respond to proper taxation to support it. That would be my idea in that matter. I have never been a single taxer, and am not up on it, I want to ask Mr. Stephens this question: If this lot here is compared

with a corresponding lot about twenty miles from Pittsburgh on a farm, what is it that gives this lot its larger social value if he disregards the buildings altogether?

By Mr. Stephens:

A. That which gives it land value is not anything which the owner of that land has done. It is not the building on that particular plot that gives it value. If the building were entirely torn down, the value of the land would remain. Therefore, the value of that lot, which makes it more valuable than the one twenty miles hence, is the social value. . .

By Dr. McCormick:

Q. But, Mr. Stephens, that social value is made by the very thing that you disregard.

Mr. Brown: In other words, he is taxing the social value; his idea is, that if we took that off there would be no occasion to tax anything else.

Here recess was taken until 2 o'clock.

Public meeting, Pittsburgh, Pa., afternoon, March 24, 1910.

And now, the hour of 2 P. M. having arrived, the Commission met pursuant to adjournment.

A. M. IMBRIE, representing the Allegheny County Bar Association, spoke as follows:

The Bar Association received a communication from your Committee, which was sent to several other people. This communication was referred to the Legislative Committee, of which I have the honor to be Chairman. The Committee is composed of Mr. Hall, Mr. Dalzell, Mr. Miller and Mr. Acheson. We took the matter up and came to the conclusion that in view of the great subject, the question of taxation would be discussed by other people. We dropped that and didn't consider it. We were more concerned about matters relating to corporations, which we took up—not many of them—but what we have are simply some suggestions to the Committee for the correction of some errors and troubles which naturally arise; and in order that you may have it in full, these are the subjects that were assigned to the different members: To W. S. Miller, Esq., the subject of requiring the production to the Auditor General of proper evidence of valuable assets representing the stock and bonds of a foreign corporation, before allowing it to do business within the State; to M. W. Acheson, Esq., was referred the question of the proper recording of the charters of foreign corporations; to William S. Dalzell, Esq., was referred the subject of having something in the name used by a foreign corporation within the State of Pennsylvania to indicate the state of its incorporation, also the subject of service upon joint stock companies, limited or joint partnerships organized under the laws of certain

States; to William M. Hall, Esq., was referred the question of amendments to the laws of taxation of corporations.

The subject assigned to Mr. Miller was discussed by him, using as a basis the Act of 1901, which is an Act that requires the payment by foreign corporations of certain large bonuses, and further prescribes the terms in which foreign corporations make application at Harrisburg. That being prescribed by the terms of the statute, of course the Auditor General has nothing at all to do with it. Now the fifth paragraph of that act is described as follows:

“The amount of its bonded indebtedness,”

which only calls for the statement that the bonded indebtedness is a certain amount. That amount may mean something, and it may mean nothing, but it goes there on the record. I will give you a practical suggestion of the case when I have finished. This letter of Mr. Miller’s suggests that that should be amended as follows:

“The amount of its bonded indebtedness and how said indebtedness was incurred and created, and whether for money, labor or services or property, and if for labor, services or property, a full description of such property, labor or services,”

the idea being to place on record actually what this indebtedness represents, which is not required at the present time.

The seventh clause is as follows:

“The amount of capital paid in.”

That may mean something or may mean nothing. Mr. Miller suggests that this be amended as follows:

“The amount of capital paid in, and how such payment was made, and whether such payment was made in money or property actually received or services rendered, stating the amount of money so paid, if any; the character and description of the property used in making such payment, if any; and the value thereof

and the labor and services rendered for such payment, if any; and the price thereof."

If a corporation makes a return to the Auditor General, representing its capital as five hundred thousand dollars, if the Auditor General finds out that such is not the case, and finds out exactly what that amount is, it would be a very great protection to every citizen in the Commonwealth who had business dealings with that corporation. Then in addition to that, this would follow:

"The amount of capital stock issued and whether such stock was issued for money, property, labor or services, and the description, character and value of such money, property, labor and services."

Then there should be added to the ninth clause a section that would provide that the Auditor General should have the authority to make an examination of the condition of the corporation with reference to its stock and bonded indebtedness, and if after such examination he was convinced that it did not represent a true valuation, he would thereupon refuse to allow it to do business in the State of Pennsylvania. The clause reads as follows:

"That if upon investigation of such report to the Auditor General, it shall appear to him that the indebtedness of such foreign corporation has not been incurred or created in good faith, or for value received, or that the capital claimed by it to be paid in has not been fully paid in good faith, or that the capital stock issued has not been issued in good faith and for money, property, labor or services of the value represented by such stock, the Auditor General shall refuse to issue to said foreign corporation a certificate that it has complied with the laws of this Commonwealth, and such foreign corporation shall not be entitled to engage in, or carry on, business within this Commonwealth until it has complied with all the requirements and provisions of this act."

The second subject arises from the effect that a failure to record the certificate of incorporation or the permit to a foreign corporation granted by the State, in the county in which its business is carried on, shall not forfeit the right of such corporation to maintain suits. That is done under the present law, and a foreign corporation is prohibited from doing business in the State of Pennsylvania. Exactly what that term means is a matter of very great discussion and of many decisions in our Courts. A corporation will come in and make a contract to erect a building. After it has finished its work often some dispute arises, and the party who gets the benefit of that work—and I will give you a practical illustration shortly—availing itself of this condition, says, “You are not authorized to do business in the State of Pennsylvania.” The corporation comes into Court, and the Court decides against it, and it loses that whole contract.

On this question of authorizing a corporation to do business in the State of Pennsylvania, without any investigation being made of its bonded indebtedness, stock and capital—some years ago there was a corporation organized under the laws of the State of New Jersey. First it went into a neighboring State and bought real estate, for which it paid less than fifteen thousand dollars. It gave a purchase money mortgage for some ten or twelve or fifteen thousand dollars, and then went to New York and gave a mortgage for five hundred thousand dollars, which represented its capital stock of five hundred thousand dollars. It was placed on record, all the property which they had, and which cost between ten and fifteen thousand dollars. Bonds were issued and placed in the market, and quoted in the stock market, and these bonds were run up to a hundred and five or a hundred and ten. A financial institution, supposing that it was all right that these were the true values, loaned a large amount of money. After these people got the bonds disposed of the bank had the bonds and the other people had the money. Now if such an arrange-

ment was made, and the Auditor General had the authority to investigate these corporations, he would have found the conditions that existed, and then not allowed them to do business in the State, and such a thing would not have happened, which cost somewhere between fifty and a hundred thousand dollars.

Now, as an illustration of the other point: I think it was a Delaware corporation, erected a plant for a party here in Allegheny county. It spent large sums of money, and after the thing was completed there was still a balance due of twenty-five or thirty thousand dollars. A dispute arose about the payment. Suit was brought in the United States Court. The defence was set up that it was doing business in the State of Pennsylvania without having been properly registered. It had been advised by its own counsel that it was not doing business under that statute. The Court decided that it was, and while they had gotten a verdict of between twenty-five and thirty thousand dollars—for the amount still due—the Court directed that the verdict be entered for the defendant. Now it has been suggested that that works a very great hardship to a corporation that of necessity comes into the State of Pennsylvania in a single transaction, and through a failure to properly register loses the amount of the contract that is justly due it. And we have suggested that that may be remedied by the imposition of a penalty, heavy if you want, to take it out of the hands of someone to take advantage of and actually pilfer from those who have done the work.

By Mr. Cox:

Q. What purpose would the foreign corporation have in not complying with the law?

A. They are here only for a single contract in Pennsylvania, and do not see the necessity of registering, and a great many do not know or suspect that there is such a statute here.

Q. You refer to the Michigan cases?

A. No, I think the case came from Buffalo, and was tried in the United States Court, where twenty-six thousand dollars was actually cut out.

Q. There was a case from Michigan tried?

A. Yes, sir. I had a concrete example of my own. A client of mine came from a sister State and had a claim of some twenty-five thousand dollars, and there was a little dispute, and I advised a settlement at a loss rather than risk the Courts.

By Mr. Brown:

Q. Don't you think in the first case it was the carelessness of the trust company in not making an investigation?

A. You can put it that way if you want. It is true, but here is a case if the Auditor General had the authority and had taken the trouble to make an examination, he would have found a five hundred thousand dollar mortgage on a piece of property that cost less than fifteen thousand dollars, and would have thereby protected the citizens.

By Mr. Moyer:

Q. Do you know any good reason why a foreign corporation should not be permitted to hold property in the State?

A. No, sir.

Mr. Brown: I think the trouble is that there are some difficulties about the present law on the subject. The several Acts of 1881, 1887, 1891 and 1893 prohibited the manufacture of certain things and withheld certain rights from them, and one of the reasons why the Governor did not sign the latest bill drafted on the subject was because it did not clear things up.

Mr. Imbrie: A client of mine in Youngstown came over into Lawrence county, and bought a large amount of limestone property. After they were in possession—never supposing that there was anything else than that they had a perfect right to hold the property—after

taking title he heard about this statute and sent his attorney to Pittsburgh to see me, and make an examination to see what could be done. As long as the thing was in that shape he could not get the stone out. There was a way—the only possible way would be to make a conveyance to some one that could hold it in this State. We should have passed an Act which would allow foreign corporations to hold real estate in this State.

Mr. Brown: I think it would be highly helpful if your association would do something in this matter.

Mr. Imbrie: I can see no reason why a foreign corporation once registered should not be a citizen, and prevent the necessity of a foreign attachment against them, considering them as non-residents. I see no reason why they should not be. The Auditor General could find out whether they were the real thing or not. If such an examination as suggested were to be made, you could depend on your records.

Mr. Brown:

Q. Your idea is to place them on the same standing as a domestic corporation?

A. Yes, sir.

Mr. Brown: I think that would give them a power which they ought not to have.

Mr. Moyer:

Q. This proposed legislation would cure it?

A. Yes, sir.

Mr. Brown: My idea is this: if those specially qualified in this matter would give their ideas in some concrete form and if we got it from several sources, then we will be able to get the best out of it.

Mr. Imbrie: That is what we tried to give you on this particular subject.

Mr. Brown: You are going to draft the act?

Mr. Imbrie: I am not certain about that. It would be a good deal of work. However, I will refer it to the Committee.

Mr. Cox: It would not be difficult to embody the suggestions in an Act.

Mr. Moyer: If your Committee holds stock in these foreign corporations, I venture to say that we will have some semblance of an act.

Mr. Imbrie: Our association has instructed the Legislative Committee to render any possible assistance we can.

The next question with reference to foreign corporations is that of the registering or the recording of the charter. A domestic corporation, desiring to do business in Allegheny county, is required to record its charter here. This is not required of foreign corporations. They register at Harrisburg.

If a domestic corporation does business in the City of Pittsburgh, and a man wishes to know anything about that corporation, he can, in a half an hour, go to the Recorder's Office and find out the condition of that company, and what it is authorized to do. It seems there ought to be no distinction between a foreign and a domestic corporation with reference to the recording of the charter, and Mr. Acheson's letter suggests an Act requiring foreign corporations doing business or owning property in Pennsylvania to record their charters in every county where the corporation owns land or has an office; if in Pittsburgh, it should be recorded here. Wherever its principal office or place of business is, it ought to have its charter recorded in that county.

The next point which came up for discussion is this: a foreign corporation may execute an agreement or enter into a contract, and yet there is nothing in this, or anything that the paper may contain, to indicate the State under which its acts—under whose laws. Now, that can

be cured at the time of the registering of the company by stating this: "The State of New York," if it was organized there, or the "State of New Jersey," if organized there. So that every contract which it makes will show exactly from which State it comes. To give an example of that: Not very long ago a client of mine was very anxious to find out about the organization of a certain company. It was with the very greatest difficulty that I ascertained in what State it was organized. It took about three weeks. I finally did get the information that it was organized in the State of Iowa. If that company had been required to add to its signature that it was organized under the laws of the State of Iowa, or organized in the State of Iowa, that difficulty would have been done away with.

Mr. Cox:

Q. Doesn't the certificate at Harrisburg disclose that, if you write there?

A. But this company was not even registered in Harrisburg, although it had made a contract here. I take it that if our own State would require this, it would only be a short time until the other States adopted it, and every contract made would indicate the State from which the company comes.

There is one other point. There are certain partnerships and joint stock associations, etc., doing business in this State, and who obstruct the administration by technical objections. I refer to certain express companies—the Adams Express Company and, I believe, the United States Company, which are simply partnerships. In one instance, I think, three suits were brought against the Adams Express Company before one was finally gotten that would hold.

If there was a law requiring partnerships that were organized under a special law of the State of New York or the State of Colorado, to register the same here in our

own State, that would protect the citizens from this difficulty in obtaining service, or in bringing suit, and not being able to get service at all. In Mr. Dalzell's letter on that point he has suggested some method by which that can be remedied. He suggests that there ought to be a provision of law with regard to them, to the effect that no foreign joint stock company, limited or joint partnership, or other unincorporated society or association, shall do any business with this Commonwealth until it shall have established an office or offices and appointed an agent or agents for the transaction of business. And, further, that it shall not be lawful for any such joint stock association, etc., to do any business within this Commonwealth until it shall have filed in the office of the Secretary of the Commonwealth a statement showing the title under which it does business, the character of its organization, the location of its office or offices, and the name or names of the authorized agent or agents within the State of Pennsylvania upon whom service can be had. And, further, that when said joint stock association, partnership, etc., shall have so designated its title, or the name under which it is to do business, it shall be sufficient for the purpose of maintaining litigation against it to name it as defendant under its registered name; and no reference shall be necessary to any individuals who may be partners in such association, whether such partners be residents of Pennsylvania or elsewhere.

Since our report was prepared, there was a communication sent to the Committee with reference to public service corporations. I have simply attached that here. We have not discussed it, nor do I propose doing so. It is a very large subject, into which I don't care to go. I will leave it with your Secretary.

By Mr. Brown :

Q. Have you any information, or any views, as to the length of time elapsing between the application and the

granting of the charter? Other States do it practically all at once, and we take several weeks.

A. I do not see how any particular advantage accrues by all this delay. I can give you an example of that. Some clients of mine desired to enter into a contract. They did not want to do it individually, or as individuals. They wanted a corporation organized at once. I left here that night and went to Jersey City, arriving there the next morning, and that evening I left Jersey City with a charter in my pocket. I came home here, and the next day the transaction was closed.

Q. You could just as easily have domesticated that corporation in another week?

A. Yes, sir. I can see no advantage coming from this publication, or of this delay after the application is presented. I don't know that any corporation was ever knocked out by any person appearing against them after the fact was advertised that "A" & "B" so-and-so were going to Harrisburg to make an application there for a charter.

Mr. Cox: Some of our street railway companies were.

Mr. Imbrie: I am speaking of joint business corporations. In regard to public service corporations, I think the law is very good. Of course, it prevents the incorporation of passenger railways and street car companies, without regard to the needs of the public.

E. Z. SMITH, Esq., representing the Board for Assessment and Revision of Taxes, Pittsburgh, Pa., spoke as follows:

I represent here the Board for the Assessment and Revision of Taxes of Allegheny county. My special capacity is Chairman of the Board, and I speak for it. I do not desire to present myself here as an expert in the matter of taxation, as my experience only extends to the time that I accepted the appointment—three years ago—yet in three years we have had opportunity to observe some of the phases of the assessment of taxation under the present laws of Pennsylvania, and one or two phases of that subject I would like to present here. As to the taxation of real estate, the present system in Pennsylvania is a good one, and it has been proved by many, many years of experience that it is a good one. I believe that real estate in Pennsylvania, under the present system, is fairly equitably taxed.

I listened with a great deal of interest to Mr. Stevens, the President of the Single Tax Society of Pennsylvania. I don't confess any allegiance to that doctrine, which is only so far a doctrine. But there were some things he said to which we will all agree, and one was that the main object in taxation was equality and certainty. A little investigation will show what interest the people take in the equality of taxation. They do not always know what the taxes are for. They do not know whether they are too great or too little for the object intended, but they are quite willing to pay their shares, provided they are not more than their neighbors; so we have in our office, in which we do a very large business, we have continually the experience of a man coming in to examine his real estate assessment in the office, and their investigation goes this far: "What is my neighbor assessed on

this side of me, and on that side of me, and across the street, and around the corner? Is it the same as mine? If so, I am satisfied.” And he is, and he goes away satisfied that he is assessed equably with his neighbor. He is not a real estate expert, and could not compare his property with a city lot, nor a city lot with a rural lot, but he knows what he paid for it, and if he believes he is treated with equality, he goes away satisfied. And, as I said before, generally speaking, the taxation of real estate in the State of Pennsylvania is fairly equable and equably administered. It now comes to the very question that he raised here—the other subject that I wish to speak about to you, and discuss with you—and that is the matter of the taxation of personal property. This is a much more difficult matter. The question is how we can obtain equality, and how can we obtain certainty.

We cannot obtain equality unless every man who owns taxable securities and mortgages, bonds, or stock, or moneys at interest in savings banks—unless every man is taxed. And you and I know that every man is not taxed. I have had this matter frequently under discussion with the head clerk or what we call our State Department. Our board is a State Board, or at least the Supreme Court has so decided. I don’t know whether you know the law that constituted us. The Board was constituted by the Legislature to assess for county taxation, and also personal property for State taxation, under the four mill revenue act. The act provided that the Board should be appointed by the Common Pleas judges of the county, and it was a question whether or not the act was constitutional. I believe the Bar was practically unanimous that it was not, and the Supreme Court was just as unanimous that it was, and as they had the last say, it so happened, and that is the reason this present Board exists.

But, as I began to say before my explanation of the Act governing us, in conversation with the chief clerk of our department—and he has been in that office for many

years, and long before we took hold—I asked him as to his opinion of the amount of personal property that escaped taxation under the present Act, and he said about one-third. That, as you understand, is merely a matter of guesswork. There is no such machinery at the disposition of the assessor to enable him to ascertain just the amount of personal property in this county. In the first place, we know we do not get a return from all owners of personal property, and in the second place the returns are not always correct or honest. More than once, when one of the men who had been returning for some time a certain amount of money passed to the Great Beyond, and when we come to have a return from the executor of the estate, we find that it far exceeded the amount ever returned by the decedent. Again, we know there are a number of people who are not assessed, because, plainly speaking, they cannot be caught under the present machinery. If methods can be devised by which every man who is subject to taxation, as to this class of property, can be assessed, then it becomes an equitable law in its action, and a certain law in its action so far. I must confess when it comes to that point I cannot offer you many suggestions. We have under the system here a great many assessors. We have the best men we can get at three dollars a day to do the work. As to this particular act of personal taxation, we try to make this impression on our assessors, each of them individually, before they got out, that there is a great deal of personal property in the county that is neither returned nor taxed, and that we look to them to see that this is corrected. In our preliminary journal, in which we take the occupation tax and some others, we say in that preliminary journal, “You are not called upon to make assessment on real property. Not only are you to collect the names for the occupation tax, but you are to find out in every way you can the names of the people who have, or you have reason to think, have personal property, and you are to serve

these people at the proper time with notices from this office, and you are to find out and see if they make returns; and if they do not make returns, you are to report it to this office, and we will make the assessment authorized by law," and so it is followed out. This is what we do and we do it with all the vigor we are capable of, and yet we know a very large amount of personal property owned in Allegheny county, taxable under the revenue act, is not assessed, and no tax is paid. How much there is of it is a matter of great conjecture. I asked the head clerk what his opinion was, and he said that he believed at least one-third of the property that was taxable escaped taxation. And he is a man familiar with the work, and most faithful and competent as Mr. Cox, who knows him personally, will testify.

By Mr. Hunter:

Q. Is an individual, say holding ten thousand dollars worth, or any amount of corporation bonds or securities—is he required to make a return to you or to your Board of those holdings, provided he knows that the corporation issuing those securities pays the tax?

A. He is not obliged to return them for taxation, unless they are stocks or bonds of a foreign corporation that come under the Taxation Act. Under the Act authorizing a four-mill revenue tax every man is supposed to make a return.

Q. Provided he knows the company paid the tax on them?

A. No, he is not obliged to return them. Every citizen may make a return, because it is the duty of the assessor to serve them with notices to make returns. Of course, laws are sometimes so stringent that they cannot be carried out. It is plain that it is impossible to get a return from every citizen.

Q. He is obliged to make that return?

A. He is obliged to make a return. He is not obliged

to return anything not taxable. He would have to fulfill under the law, and if he had no other taxable property he would not have to.

Q. You say that a certain party had, during his lifetime, made certain returns, and after his death you discovered you he was the possessor of a larger amount. Don't you think it was probable he was doing all he thought was right and required at the time, due to the fact that the securities which he didn't return were taxed and the taxes paid by the corporation that issued them?

A. Any man might be mistaken?

By Mr. Cox:

Q. Is he allowed to inquire into the fact of whether they are so taxed by the State, the stock of a corporation? What I want to get at is whether he has a right to consider the question of double taxation, the man making the return? If I have ten thousand dollars' worth of bonds, have I a right to inquire whether they are taxed by the State, in addition to the tax by the county?

A. Undoubtedly. He is the judge of that.

Q. He is the judge of that?

A. Yes, sir.

By Mr. Moyer:

Q. Isn't he generally a poor judge?

A. Generally.

Q. And he doesn't pursue the inquiry further?

A. No, sir. I merely stated that as a fact. It has developed in that way, where personal taxes are levied after a man has died, and his estate is found to hold more personal property than he returned. I merely stated that as one instance.

By Mr. Cox:

Q. You have no remedy?

A. As to what should be done, I must confess to be at a loss.

By Mr. Brown :

Q. Mr. Smith, you say the taxable is obliged to make a return. You don't mean that there is a legal application which is enforced? He is not obliged to do it?

A. He is obliged by law.

Q. You cannot force him?

A. No, sir.

By Mr. Cox :

Q. You add 50 per cent. for that?

A. The law provides that. It is a double duty—one of the assessors and one of the assessed. It is a duty laid on him to make a return, and it is the duty of the assessor to make him make a return.

By Mr. Brown :

Q. How do you start with the returns, how do you know the number? I mean, how do you know the number that goes to each one?

A. That is a matter that is governed largely by the experience we have gained of the number of people in every district.

Q. You get so many blanks sent to you?

A. Yes, sir.

Q. Then those are given to the assessors?

A. Yes, sir.

Q. What check do you keep on the assessor to see that he either brings back the return of the taxable, or accounts for it?

A. We don't check.

Q. Why don't you?

A. For this reason: we know that there are a certain number of taxables of this class.

Q. Suppose he doesn't bring them back? You issue so many blanks?

A. Yes, sir.

Q. He brings back a portion of them. Why shouldn't he account for the balance?

A. Well, in this county—take, for instance, an assessor in a district in which there are ten or fifteen thousand citizens, nine-tenths of whom own no property at all, would be served with notices and cannot be made to make returns. The law provides—it is required that every man shall be served, but if nineteen out of twenty have no property at all, the assessor would be doing nothing at all but chasing men who had no property at all, to get them to make returns.

Q. You say that one-third are escaping; taxables to the extent of one-third are not paying taxes?

A. Yes, sir.

Q. What check is made of the returns of the assessors to see just who these people are?

A. We have the names of every property owner, about every property holder, and owner of personal property—every man with real estate. Outside of this we have no check, because a great many of them have no permanent residence. And a great many are not known to the assessor except by name or reputation, and just the instructions which we give to them, to get in everybody they can, or have reason to think are the holders of property. The alternative is to absolutely serve everybody with a notice, and to take a return from everybody. I mean to serve everyone in the county with a blank, and have every man make a return, whether or not he owns any taxable property.

By Mr. Moyer:

Q. As I understand it, there is no penalty?

A. Nothing, except the assessor can go ahead and make an assessment, and add 50 per cent. to it.

Q. How are your assessors chosen?

A. By our Board.

Q. They are pretty faithful?

A. In a large degree, yes, sir. We have attempted, and I think succeeded, in organizing a thorough body of district assessors. There are weak spots, but the personnel of the Board has improved.

Q. What are they paid?

A. Three dollars a day.

Q. Do you consider that enough for a good man?

A. In some places, yes, and in some, no. It is not enough in a city, but in the country districts it is. You can get a good man to give his time in the country for that amount, but not in the city.

Q. Are you aware of the fact that in rural districts assessors are elected?

A. Yes, sir.

Q. Do you think that the assessors should be appointed by the Courts in the county in which they serve and paid five dollars a day, their term to be four years, and only permitted to serve one term? Do you think that would remedy it?

A. It would undoubtedly remedy the general administration of the taxation system to have more permanence of the assessor in his office.

Q. This is what I have in mind, that a few of the assessors frequently make no returns because of the fact that it might handicap their re-election. I mean in the rural communities?

A. I wouldn't like to give an opinion on that. In our county we have rural, suburban and city communities, and deal with all classes, and as I said, I think we get fairly good assessors in the rural communities for three dollars a day. It is difficult to get the right kind in large boroughs and cities for three dollars, men competent to assess very large property holdings. For instance, in a ward in the city where there is property of the value of thirty or forty or fifty millions of dollars, it would be evident to you you can't get a man for three dollars a day to assess that, and it requires a great deal of work

on our part, not so much in the country or rural districts as in the large boroughs and cities.

By Mr. Cox:

Q. Do you think that to increase the Board would help matters?

A. No, sir.

By Mr. Hunter:

Q. Under your present system you appoint assessors for temporary service only?

A. We appoint assessors during good behavior.

Q. What length of time?

A. Well, lasts to the end of our term.

Q. Do I understand that he is constantly employed?

A. Only when necessary.

Q. How long is that?

A. During the triennial assessment, from the middle of June—about six months' work.

Q. In what length of time?

A. Six months every year in a large district, and in some places not more than two.

Q. It is of a temporary character?

A. Yes, sir.

Q. That would mean that the personnel of the office of the assessors would be changed almost every year?

A. No, sir.

Q. Isn't that the case?

A. No, sir. I said we appointed the assessors practically during good behavior, as long as our term would last. We say to them, "if you are satisfactory to us, you will continue to be our assessor on that district as long as we hold office. If not, we will get another." These assessors are chosen from all classes, and work as long as necessary. Most of them have other employment. Some have other occupations, and some don't have to work, and some don't work, and so forth.

Q. Would that indicate that the assessors, as appointed by you, are what you might term two dollar men?

A. Not at all. We have a class of men that I think are better than the average.

Q. Do you mean those in the boroughs and cities?

A. In the country districts you can get a farmer for three dollars a day to do the work, and get a good man, but when you come to the boroughs and cities, where the rents and cost of living are higher, it is harder work, and you cannot get a good man.

By Mr. Moyer:

Q. At one of the hearings held in Philadelphia we had Simon Gratz, the president of the Board in Philadelphia, with us, and he made the statement that millions of dollars were not being returned for taxation, property owned by suburban residents living in New Jersey, or Delaware or adjacent counties, and that there was no way of telling why this was not returned? Does that prevail here?

A. Not to any appreciable extent, for the reason that local conditions are different here than they are in Philadelphia. There are possibly a few persons whose residence is not fixed. We have some here who made or inherited their pile, and will want a residence in Pittsburgh—do not live here, but live in Florida, or New York, or Colorado. A great many of those, in order to preserve their residence, make their returns here.

By Mr. Brown:

Q. Tax dodging is not prevalent?

A. No, sir.

By Mr. Cox:

Q. What per cent. is actually lost?

A. That is a mere matter of conjecture. I gave you our chief clerk's opinion on that.

Q. What would that amount to in dollars and cents?

A. The amount of property returned for taxation here

is about a hundred and eighty millions of dollars. It has been about that. It has been increasing slightly each year, except in the last year, and I would be inclined to agree with the chief clerk that we don't get more than one-half of the amount.

Q. It ought to be about two hundred and sixty millions?

A. Yes, sir. If we got two hundred and fifty millions we would get very nearly all we would be entitled to.

Q. What would the loss be in dollars and cents?

A. Take the \$180,000,000 at four mills, and that would be \$720,000. I believe the delinquent tax office shows only a loss of 2 per cent., and that is a very significant fact when you consider that the machinery for the collection is deficient. There is no law, and they have no legal remedy if the man refuses to pay his taxes. This is about the size of it. The total tax is about \$720,000, and that is sent to the State. They keep \$180,000, and the rest is sent back to Allegheny county.

Q. About a loss of about half a million?

A. Say about \$200,000. That is mere conjecture, because there is no way of determining how many are not returned and how many make a false return.

By Mr. Moyer:

Q. During your three years have you ever had a case of a man whom you had every reason to believe was falsifying his returns?

A. Yes, sir.

Q. What efforts have you made to prosecute him?

A. We don't prosecute him, because we can't be sure about it, but if we have any good reason to think that that is the case, we revise his return and put it at the place where we think it ought to be.

Q. Do you think an arrest or two might have a wholesome effect?

A. It might. The law is indefinite, and the remedies are not strong. When there is doubt in the office of the De-

linquent Tax Collector to enforce the payment of taxes, we are not going to arrest a man for making a false return. We believe that if a man does not make the proper return, and we do make what we consider the proper return, and add to that 50 per cent., that it brings him to time.

Q. The Commission has had a goob deal of testimony along this line, and nowhere has there been an example made of a man who falsifies his return.

A. It places the assessors in a peculiar position, but I don't think the Board would hesitate on that account if they thought they had the power.

By Mr. Brown:

Q. Are interest bearing deposits assessed here?

A. Yes, sir, those bearing interest in savings accounts.

Q. In trust companies and banks?

A. As far as we can.

Q. What measure of success have you had in that direction?

A. Well, we get a good deal. A great many make returns and a great many do not.

Q. How would it be to amend the law and compel the trust company to pay the taxes and deduct it from the interest?

A. I don't know how it would be exactly. It has come to our knowledge time and time again, and I have called bank officials to account for it—that they and their cashiers have influenced depositors not to make a return of the deposits in savings accounts, saying that if they didn't make a return they wouldn't be taxed. If that is the case, I believe the remedy you proposed would be a good one.

Q. Do you think there would be anything unfair about it?

A. No, sir. The objection of the banks is as to giving information as to the private deposits. I myself think it would be a good remedy, and would go far toward relieving the situation.

Q. Have you any information as to the character of these people who have these accounts, whether they are the richer or poorer people?

A. All classes, Mr. Brown, I do not think that you could classify them. I think it is a matter of individual conscience, or knowledge or ignorance of the law. There are the three classes.

Q. Have you, in the performance of your duty, obtained any information as to the taxation of corporations?

A. I think the sentiment would be against it.

Q. Have you made the same inquiry with regard to an inheritance tax?

A. I think there would be no objection—not to a just one.

Q. What would you say as to the taxation of other articles besides those already taxed—say, for instance, automobiles? Some people think there ought to be a tax on them to be used for the development of the State's highways. One man said he would pay a hundred dollars a year, and that others ought to do the same thing.

A. I could not answer that.

Q. What is the sentiment of this community as to the mercantile taxes?

A. I think there is a strong sentiment against it.

Q. What is the reason?

A. Well, the average merchant is taxed very well on other classes of property, and there is no reason why he should be taxed on his business when others are not, and the tax does not fall equably.

Q. Does the method used by your Board tend to drive taxables from this county to residences elsewhere?

A. I do not know of any such case.

Q. Do you think a lower rate would produce more income?

A. I doubt it.

Q. The rate is not too high?

A. No, sir.

Q. What would you say as to the taxing of public service corporations? Did you look into that?

A. It is the custom of our assessors to examine every piece of property owned by the public service corporations, whether it is needed for their actual operations, and if not we put it on the tax rolls. We make as strict an investigation as we can, and we always get an application for the exemption of this, that and the other property.

By Mr. Hunter:

Q. I want to ask a question about the appointing of the assessors. I was wondering what you would think about the question of using a smaller number of assessors, and giving them permanent employment, whether they would become more efficient than if employed only temporarily?

A. In answering that I would say that anything in that direction would be for the betterment of the service. As you know, in Philadelphia the assessor is a permanent institution; the assessors, I believe, are appointed by the Board there. They are permanent officers, are salaried officers, and go on assessing all the time. I think that is the proper way. I think the assessors should be more permanent. The difficulty in Allegheny county and the other counties is the triennial assessment of all the real estate, and the third year is a very strenuous year for the assessor and for everybody connected with the assessor's office, and if that is the case we could have larger districts and have permanent assessors, and could get much better men.

By Mr. Brown:

Q. Are they influenced by local associations? What would you say about taking a man from one district and working him in another where he is not so well known? What would you say about changing them around?

A. We always take a man from the district in which he lives to work in that district, on account of his knowledge of values there.

Q. It has been suggested that these assessors should be

State appointments, and sent as strangers into a locality, so as not to be influenced by local influences.

A. I do not think that would do, because there you have the old case of the revenue collectors. The men that live in the districts have a knowledge that no stranger can have, especially in the rural districts—which no stranger could get. As I said before, the triennial assessment could be done away with, and the continual assessment would be the proper thing. I think the triennial assessment is an obsolete institution. It throws all the work into six months of each three years, and throws such an amount of work upon the Board and the assessors that the work cannot be done with care and in the careful manner in which it should be done. Our Board has been working since the twentieth of December, since we took up this matter, and has worked every day since then, practically, until a week ago. To do it right is a difficult matter.

By Mr. Moyer:

Q. You have the entire county of Allegheny county?

A. Yes, sir.

Q. What is the assessed valuation of the realty?

A. A little over one billion.

Q. What is the valuation of the personal?

A. One hundred and eighty million last year.

Q. That, in your judgment, is a fair valuation of the worth of Allegheny county?

A. Not as to the personal property.

Q. How much personal property do you think is escaping taxation?

A. As I say, Mr. Moyer, I said our chief clerk gave it as his opinion that one-third is not taxed—is escaping taxation.

By Mr. Cox:

Q. If you knew where it was you would go after it?

A. Yes, sir. Guessing at it, I would say that we don't get

at least 25 per cent., perhaps more. Supposing we get ninety thousand or one hundred thousand of these blanks from the Auditor General, and we distribute ninety thousand to our assessors, to be used under our direction; we get thirty thousand returns out of these; twenty thousand return property for assessment, and ten thousand return nothing. Of the twenty thousand returned, we get about a hundred and eighty-six million dollars worth of property for assessment. Two-thirds of this one hundred and eighty-six millions of dollars worth of property returned for taxation in Allegheny county consists of mortgages. You will see that we get practically all of the mortgages, because they are a matter of record, and the Recorder is bound to certify to them, and we can watch them closely. The other one-third is composed of such elements as the law includes—money at interest, and I do not think we get anything like all of that. That is money held on notes by private individuals, and moneys in savings banks bearing interest, articles of agreement for the sale of land, and that all depends upon the conscience of the owner and the presistence of the assessors, the amount of that we get.

But returning to the question of the taxation of mortgages, I was interested this morning by the argument of the man who thought that the taxation should be levied upon the real estate alone. I believe that everybody should be taxed upon everything that they own, and equably taxed, and it is the effort of our Board to see that they are. But I do not believe that under our present system that we are getting equality in this matter of taxation—that at least one-third of the taxable property is not taxed. There you have a case of where two-thirds are paying taxes, willingly or unwillingly, upon personal property, and one-third are not. You can see if that case were applied to the ownership of real property there would be no equality if two-thirds were taxed and one-third were not. But I think so far as the taxation of real property is concerned the tax is equable, and the reason that is not the case in

regard to personal property is because of the vagueness of the laws and that people don't pay those taxes. It is very evident that that law doesn't work entire equality if a number who own personal property are taxed, and only a portion owning property are not taxed. The question has been raised very often and discussed; that is, the question of the taxing of invested capital, and in some of the items that are taxed I do not believe it reaches the party intended. I don't believe, and I think I express the sentiment of the majority of thinking people in Pennsylvania that are concerned in this matter, I do not believe that the man who lends money on a mortgage is paying the four mills tax, even after he write the check. I have said to people who complain of this personal tax, and wanted a reason for it, I gave them the argument that Mr. Brown stated here this morning that everything that is taxed is rated so that those who have only personal property should bear the burden with those who own real estate. There are a great many men who have money loaned on mortgages who do not pay a cent towards the sustaining of the burdens of government. I believe that the expression and the opinion of almost every man who knows about the borrowing and lending of money will sustain that opinion. We know how many mortgages there are with 5.4 per cent interest. It does not mean that the rate of interest is 5.4, but it means that the rate of interest is 5 per cent., and that that four mills is added on there to pay the taxes. So the borrower pays that in his interest. If that is the case, what is the result? The man that borrows the money is not only paying the taxes on the property, but upon the very mortgage he had to put upon it in order to allow him some years to pay his debt. I want you to consider it, because it is a very grave question of equality between man and man.

I met a man from New York, Lawson Curdy, President of the Board of New York, who had the whole state of New York and the assessment for New York under his control. We discussed this very matter. He said just about what

I have been saying to you, and I was taking the opposite side, because I expressed the opinion you expressed this morning——

Mr. Brown: That does not express my personal opinion. I just tried to draw an opinion from the speaker.

Mr. Smith: I expressed that opinion so frequently that I almost believed it myself, yet I believe that the man who borrows money is paying taxes levied upon the man who lends the money, and this is a double taxation, which ought not to be.

By Mr. Brown:

Q. Why shouldn't the State of Pennsylvania tax the unencumbered as well as the encumbered real estate? You say that the encumbered man pays double taxes, one on the land and a tax to the State. Why shouldn't the man who is unencumbered pay taxes on his land? Why shouldn't the man who is unencumbered pay a tax to the State?

A. I don't see why he shouldn't.

Q. The encumbered man does?

A. Yes, sir.

Q. If the mortgagor does not actually pay the tax, and is paid on his real estate and on the other—first assume that he is.

A. Yes, sir, we will assume that he does not pay the tax, and the law intends that the tax should be paid by the lender and not the borrower, not only upon the property, but upon everything else.

By Mr. Cox:

Q. What portion goes to the State?

A. One mill. Four mills go to the State and three mills are returned. The amount of money that comes to Allegheny county is about a half a million of dollars, about three-fourths of seven hundred and twenty thousand dollars, and it relieves the taxes of Allegheny county to that extent, but at whose expense? So that the people who are

paying that tax, if the borrower pays it, a certain portion is paying it to the State and paying it to the county.

Q. How does the three-fourths compare with the amount levied on real estate? What is the amount levied?

A. I could not tell you that exactly; about \$4,000,000. We get about a half a million from the tax on personal property.

Q. Half a million?

A. Yes, sir, half a million.

Q. So you get about one-eighth of the tax on real estate in Allegheny county from personal taxes?

A. Yes, sir. If what has been stated is true, that tax is paid by a few—that five hundred thousand dollars—is paid by the borrower to relieve the many, those who do not borrow.

By Mr. Moyer:

Q. Isn't it a fact that the Act states that all money at interest bearing 5 per cent? You could not separate a mortgage from a certificate of deposit, or a judgment of record?

A. I think it applies to all. If the fact is so, that the borrower pays the tax, I believe he does it in all cases. I believe he pays it on notes and every loan, because the rate of interest will justify that, the supply and demand of money, and I think the rate now is the normal rate plus four mills.

Q. Provided it is under 6 per cent.?

A. Yes, of course.

By Mr. Cox:

Q. Then there is no crime committed if you do not collect the entire amount of the tax?

A. No, no crime, because the taxation Act does not make it a crime.

Q. Do you mean that that one-third is one-third of the

entire personal property in Allegheny county, or that you lose one-third of what is returned?

A. I mean one-third of the personal property we don't assess.

Q. That would be one-half as much more than you really have returned?

A. That would depend on which way you figured. We probably have about \$250,000,000 of personal property in this county. It is a mere conjecture, but a large amount escapes taxation.

Q. You lose about one-half?

A. No, I wouldn't say that. I say we ought to have about one-third more than we have. It is a mere matter of conjecture.

DR. MOYER, representing the Mercy Hospital, of Pittsburgh, Pennsylvania, spoke as follows:

I have here a statement relative to the Mercy Hospital, which I wish to file with your Commission.

By Mr. Brown:

Q. Do you get State aid?

A. Yes, sir.

Q. How much?

A. Ninety- seven thousand dollars the last time.

By Mr. Moyer:

Q What do you think about the State withholding appropriations from private charities not controlled by the Commonwealth?

A. I think the State ought to have control.

Q That the title of the property should be vested in the State?

A. I think they ought to have the control of it.

Q. How could the State have absolute control of a property in which it had no title or interest? How could it ever acquire that property?

A. I don't know that the control—I have not given that very much consideration. There ought to be someone held accountable for the use of the money, the way it is used.

Q. The traveling Auditor General calls at your hospital?

A. Yes, sir.

Q. And audits the accounts?

A. Yes, sir.

Q. Do you keep a list of all the distributions of State money?

A. Yes, sir.

Q. Is the management obliged to borrow money until the voucher comes from the State?

A. Usually; not always.

Q. How do you manage to pay your bills? Have you a sufficient fund to do that?

A. Yes, sir.

Q. Have you an endowment fund?

A. No, sir. I have a copy of the report to the Board of Charities here. We were established in 1848; value of the real estate one million dollars; amount of indebtedness, fixed, \$63,000, current, \$24,465.66; a corporation; no endowment; officers, M. N. McMullian, president; J. D. Callery, secretary; F. H. Skelding, treasurer; services all gratuitous; number of buildings 5; number of beds for employes, 250; number of beds for patients, 350, for medical cases not limited, for maternity cases only emergency cases admitted; number of cases treated during the year: in patients, 4,594; dispensary or out patients, 2,167; number treated free, 1,621; number partly free, 477; number full pay, 2,496; number of days hospital treatment (in patients only), 123,005; number of days free treatment, 43,058; per cent. of free treatment, over 33 1-3 per cent.; average number of beds occupied by patients during the year, 339; average cost of patients per day, \$1.19. Owing to the advanced cost of living the average cost per patient per day was \$1.71 during the last quarter.

By Mr. Cox:

Q. How many actual free beds have you set apart in your hospital?

A. None set apart as free beds; the estimate here is that one-third of the patients treated during the year were free patients. There are no separate wards.

Q. No preference given as between the paid and the other patients?

A. Not in the wards. Private room patients are expected to pay for their additional comforts.

Q. Do you charge anything for the ward patients?

A. Yes, sir; if they are able to pay, they pay a dollar a day.

By Mr. Moyer:

Q. How do you ascertain whether they are able to pay?

A. We find out where they come from, and their business.

Q. Do you have many patients in your hospital from adjoining States?

A. Not a great many; some from West Virginia and Ohio.

By Mr. Cox:

Q. Usually surgery cases?

A. Yes, sir.

By Mr. Woodward:

Q. Did you ever refuse any case brought to you?

A. Never on account of non-payment, except infectious diseases. We are not allowed to receive them.

Q. You would not refuse a case on account of their inability to pay?

A. No, sir.

By Mr. Brown:

Q. What have been your private contributions as compared with the State?

A. I don't know how much.

Q. Proportionately?

A. I do not think they amount to very much.

Q. You mean the private contribution doesn't amount to very much?

A. It does not amount to anything like that of the State.

Q. You get more from the State?

A. Yes, sir.

Q. Hasn't the State appropriation a tendency to diminish these private donations?

A. No, sir.

Q. Does your management make any special effort to obtain private contributions?

A. They endeavor to get contributions whenever they can.

Q. How much did they get the last year?

A. I don't know.

Q. You are getting thirty thousand dollars from the State for two years, 1909 and 1910?

A. Ninety-seven thousand dollars was the last amount we had appropriated.

Q. What have you raised during that time by private contributions?

A. I don't know, but I don't think it is very much. I cannot give you the figures.

Q. In other hospitals in the city they can perform the same services?

A. I think our daily expense is lower than any other in the city.

Q. Could not the public be better served by combining the hospitals?

A. I do not think they would. I don't think the management can be any better.

Q. You are non-sectarian?

A. Yes, sir.

Q. You have a school for nurses?

A. Yes, sir.

Q. How many do you graduate in a year?

A. A training school for nurses, and the number admitted is 71. A common school education is required; the term is three years, and there were graduated in the last year eight.

Q. You say eight in the last year?

A. Yes, sir.

Q. Is that better than the average?

A. It is a little more than that number, about eight or ten or twelve.

Q. And this money appropriated by the State is used in the manner in which it should be used?

A. Yes, sir.

Q. And the officers of the institution are not paid for their services?

A. No, sir.

By Mr. Hunter:

Q. Don't you think that probably owing to the appropriation received from the State, there might be some laxity in getting it from those able to pay?

A. No, we are careful about that; we are careful all the time to get money to pay the bills. Very few get away without paying that are able to pay.

OLIVER McCLINTOCK, ESQ., Pittsburgh, Pa., spoke as follows:

I did not intend to talk when I came here, but I was interested in the meeting. All that I have to say is as to the merchant. Merchants as a class, retail merchants, are very heavily burdened with taxes and something ought to be done to relieve it. We seem to be fair game for every tax that comes along.

By Mr. Moyer:

Q. If the merchants were relieved from that tax, what would you say, for instance, to placing a tax of one mill on manufacturing corporations?

A. I would not be able to say positively on that, because I realize it is a complicated problem. The thing to be striven for is equality of taxation. As to the taxes on mortgages being paid by the man in debt and in trouble, that is true.

Q. How could you cure that unless you relieved all forms of personal property from taxation?

A. It is because I realize how complicated it is that I think that any man that speaks upon the question should have made a study of it. I didn't come here for that purpose, and would not like to give an opinion.

By Mr. Brown:

Q. Have you any associations in this city—a merchants' association?

A. I belong to the Chamber of Commerce.

Q. Any others?

A. Yes, sir, several. I understand the Pittsburgh Board of Trade is to be represented here.

Q. If there is any association of that kind that you think we ought to hear, we would like to hear it.

A. I think probably they will be represented here.

D. J. STEWART, representing the Homeopathic Hospital, of Pittsburgh, spoke as follows:

I see a couple of friendly faces, and make bold to come here. They have seen me in Harrisburg hunting for appropriations. I can say to you that I am intensely interested in that institution—worked for it by day and dreamed of it by night. I do not come here to make any plea for cash at this time, but we had an invitation to come before you, and as our dear president died in December, this duty fell to me. I want to feel that I have done my duty towards the institution, and I wanted to meet you gentlemen, for perhaps you may see me later in Harrisburg when I come to solicit for money. I think I have been successful in that line among friends, and reasonably so with the gentlemen of the Appropriation Committee.

By Mr. Moyer:

Q. Then you wouldn't favor withholding appropriations from private institutions not under State control?

A. No, I would not, because it would drive some of them out of existence.

Q. Wouldn't it be better if it would?

A. I would not be unkind enough to reflect on any other charitable institution.

Q. Taking the State as a whole, has it ever been brought to your notice that there are certain institutions posing as charitable institutions, organized simply for the purpose of getting money from the State?

A. Not to my personal knowledge.

Q. The auditor sent out by the State examines the accounts of all hospitals, and we propose to account for every cent they receive from the State, and Mr. Brown

has asked all representatives of hospitals whether they received much assistance from outside contributions.

A. I have nothing to conceal; we do. My efforts have been so consistent that my friends have avoided me. I tell them my years are getting fewer, and that I want them to contribute before I die.

By Mr. Hunter :

Q. What is the value of your new property?

A. We paid \$135,000. I don't know exactly what we have expended on that building, but it would be over \$300,000 dollars.

Q. Is it paid for?

A. So far as we have gone. We had an old institution in the city here, and to secure funds to build the new one we mortgaged the old one, to erect this new building. We didn't get the appropriation we had hoped for, and the buildings were not fully carried out. The front building—we had to introduce into that all the mechanical part of the institution, which we had expected to put in another wing. The mechanical department of that hospital, the heating and ice plants, and other machinery, is costing us in the neighborhood of one hundred and ten thousand dollars. Practically all the money that building represents has been contributed. Then we get from the State—I don't recall just how much we get from the State. We did at one time get seventy thousand dollars, and at another ninety or a hundred thousand dollars.

Q. Then you raised about one-half of what it cost?

A. Yes, sir, and we are getting it all the time. We are not permitted to pay any back bills for expenses with the money we get from the State. During the last period of two years previous to this we fell behind \$23,000 and of that amount we got in debt for groceries and supplies during the panic. We have succeeded in begging enough of that amount so that today we are in debt only \$6,000

of that amount. We raised about \$16,000 or \$17,000, and every day we are getting rid of that.

By Mr. Moyer:

Q. As a solution, if the State should withhold its appropriations from private charities, what would you say as to this: to have set apart moneys based upon the number of inhabitants of each county, and divide it up, say about a million dollars in Allegheny county, and let all appropriations be fixed by an Act of Assembly; what do you think about that?

A. There is, among a certain class of people, a great fascination in hospital work. Men and their families become interested in it. They secure contributions that if they were not interested in the management of the hospital actively I do not believe would be tendered to the hospital. We have people—there is a certain pride among them to see who can secure the largest contributions towards the institution. We would lose that if it were entirely a State institution.

Q. You said you did not feel like making any unkind remarks or casting any reflections upon other institutions. What are your views about the consolidation of the hospitals—reducing the number?

A. There are a great many, and it is a great tax, not only on the State, but also on the people; but they are helping on all sides, and I think our citizens here are openhanded enough to give regardless of the institution. If the hospitals were consolidated, the patients that were injured on the South Side or the East End or in other places would have to be taken too far for treatment, but I presume that you mean there would be branch institutions under a central head.

Q. Yes.

A. I am afraid the public at large would lose interest in it under those conditions.

By Mr. Woodward:

Q. Instead of a number of the board of managers interesting their families and friends, there would be a fewer number interested? It would reduce the numbers that were intrested?

A. That is what I think.

By Mr. Moyer:

Q. Are the board and president in your institution paid for their services?

A. The president in our institution pays money out of his own pocket.

Q. None receives a salary?

A. Oh, no. I have been connected with the hospital for twenty years and I have never got a cent of salary. It has cost me five hundred dollars since the first of January and there are others that have done the same.

Q. My line of examination was just following out the idea that the presidents were paid?

A. I don't know of any. I never heard of one in any institution that was paid. We pay the superintendent and the working force and the nurses. I presume the nurses get the same in other institutions as in ours. They get eight dollars the first year, ten the second and twelve the third.

Mr. Moyer: We are not sitting as a Board of Charities or Appropriations. We are trying to remedy some of the conditions.

Mr. Stewart: I am interested in the Children's Hospital, too. It is getting along finely. They have a small endowment. The Homoeopathic Hospital has a fair endowment. If I could live long enough I would like to see the day that hospital would be supported on the interest of the endowment. This may sound like a plea for cash, but I didn't come here with that intention.

Q. You are familiar with a number of the other hospitals in this city?

A. Reasonably so.

Q. In your judgment are they wisely and economically managed?

A. Yes, sir.

Q. And that no unwise expenditure of the State money is being made.

A. Not that I know of; not wilfully.

By Mr. Hunter:

Q. You have a pretty vigorous system of collection; do you vigorously collect the money.

A. We get what we can from the patients. We had yesterday in the down-town hospital fifty-six patients. We are moving out to the new one, and we are trying to make this one an emergency hospital. Of the fifty-six patients forty were altogether charity.

Q. Do you follow closely and vigorously and work hard to make collections from those you care for and treat?

A. Yes, sir.

G. C. URQUHART, Esq., representing the Pennsylvania Lines West of Pittsburgh, spoke as follows:

The General Counsel for the Pennsylvania Lines handed me the circular the Commission sent out, and in response to that invitation he requested that I come before the Board and give them the benefit of any ideas that I might have in regard to the revision of taxes in the State. I have nothing to say about the method or system, but rather prefer to leave that to others. But there is one thing in regard to the system of taxation in Pennsylvania that I have not heard touched on in any of the discussions, and that is the manner of collection, and the system of accounting and the keeping of the records in Pennsylvania. You know we have a different collector in nearly every borough and township. As a fair example of that, the Pennsylvania Lines West of Pittsburgh, which has a large amount of mileage within the State, in seven different counties, is obliged every year to pay out three hundred and twenty-five different bills, whereas if we had the Ohio and Indiana system in Pennsylvania, we could pay the money direct to the county to the County Treasurer.

By Mr. Moyer:

Q. Do you mean on the depots and so forth?

A. Property and rights of way.

Q. Any realty used in the operation of the railroad is exempt from taxes?

A. Yes, sir. It takes three hundred and twenty-five bills to pay our taxes in Pennsylvania, whereas in the States of Ohio and Indiana about nine vouchers would pay that.

Q. How is that done?

A. In the States of Ohio and Indiana—I think it would be a great help to you gentlemen if you would slip out

there and have a little talk with the State Auditor in Ohio and Indiana—and you would get some valuable information. In Ohio all the taxes are collected by the County Treasurer, and the County Auditor keeps the books of all the collections and all levies, and the funds are carried in accounts and credited to the different officials.

Q. We have no County Auditor?

A. No, but I thought that you probably might want to consider some question of that sort.

Q. Your proposition would be to create the office of County Auditor?

A. The name would not make any difference. It would be very convenient for a large corporation. In the State of Ohio we are in fifty-seven of the fifty-eight counties.

By Mr. Woodward:

Q. How are the bills sent?

A. Very seldom sent; we have to go after them. It seems to be quite a habit for the tax collector to wait until the 5 per cent. has been added.

By Mr. Moyer:

Q. That is only human?

A. Yes, sir. In the State of Ohio they have a very complete system of preparing tax bills. After that work is done in the office of the Treasurer, prior to the time of the collecting of taxes, and the amounts are sent out to the owners, and the property owner goes to the office and all his bills are handed to him, and he pays his bills, and the coupons are torn from the receipts and put in the drawer and used for the purpose of checking. In Allegheny county, when you go to the window and want to find out about your property, if it is in one ward you go to one window, or if it is in a borough you go to another window, and so on.

By Mr. Woodward:

Q. If there is a line you have to wait your turn?

A. Yes, sir.

By Mr. Moyer:

Q. What is this taxable property?

A. Real estate and things not used in the operation of the road.

Q. How is the value determined?

A. By the local assessors, the same as any other property owner.

Q. Have you anything to do with the filling out of these blanks, as required by the Auditor-General?

A. No, sir.

Q. Have you heard any complaint, or any expression that it would be more handy if the returns were made at the close of the year instead of the first Monday of November?

A. I believe I have heard the Accounting Department speak of that, to have to concur in time with the report of June 30, as required by the Interstate Commission.

Q. June 30th or December 31st?

A. Yes, sir.

Q. That would be the capital stock tax year?

A. Yes, sir.

By Mr. Brown:

Q. How would it do for the different tax collecting officials to certify a tax to the County Commissioners, or to the Auditor-General, and have the Auditor-General send you a bill?

A. That is practically the method in West Virginia. Railroad property is assessed by a Board of Public Works. The Board of Public Works receives reports from the different counties, and when the reports are all in the taxes are compiled and a complete bill made against the corporation—railroads I am referring to—and those bills paid direct by the corporation for all its property in the State to the State Treasurer, and the State Treasurer certifies certain money back to each taxing district in the county.

Q. How would you get a revision in case you wanted an appeal. You would have to go back to the original tax levying official?

A. Yes, sir. So far as corporations are concerned, the matter is handled by a State Board. For instance, in West Virginia, a railroad is valued on its tangible property. The very instance I speak of, if there is any appeal as to the valuation it has to be done then and there, before they certify their official values.

By Mr. Hunter:

Q. What is your opinion as to the present method of assessing valuations?

A. I have no complaint to make about that.

Q. You find them fair, do you?

A. Usually so; usually, a little personal talk with the local official and resorting to maps and other things will show him his mistake.

Q. Where do you find that trouble, generally?

A. Mostly in the assessor, in determining to his satisfaction the portion of the ground owned by the company, used for railroad purposes, that would come under the general corporation tax. We have no complaint on that ground. We have had very good results.

By Mr. Moyer;

Q. Are you obliged to pay any tax other than the capital stock tax in the States of Ohio and Indiana?

A. In the State of Ohio we pay a tax of fifteen thousand dollars a year, which is fixed, and divided among the railroads of the State, in proportion to their property there.

Q. Fifteen thousand dollars is your tax?

A. No, that is the total. We pay a tax in the State of Ohio—a direct tax—a tax on real and personal property. Indiana is the same way, only two taxes, a tax on real and a tax on personal property.

Q. A tax on real and a tax on personal property?

A. Yes, sir. We have no capital stock tax in Ohio and Indiana.

Q. Instead, they assess the tangible assets?

A. Yes, sir. In the States of Ohio and Indiana all stock is subject to a tax for State purposes. In Pennsylvania we don't pay a State levy.

By Mr. Brown:

Q. As I understand it, the railroads in Pennsylvania are fairly well satisfied with the present tax law?

A. I believe they are.

Q. As I understand it, it is only the annoyance in making the payments?

A. Yes, sir.

Q. You will find that is going to be a very difficult thing to correct. The local authorities are very jealous of their prerogatives.

A. I realize it would be a hard matter to correct. I felt that I would like to call the attention of the Commission to it, and I have never seen or heard it discussed.

Here the Commission adjourned to meet Friday, March 25, 1910, at 10 o'clock A. M.

Public meeting, Pittsburgh, Pa., morning March 25, 1910.

And now, Friday, March 25, 1910, the hour of 10 o'clock A. M. having arrived, the Commission met, pursuant to adjournment.

JAMES A. BEAVER, ESQ., representing the Pennsylvania State College, spoke as follows:

If your solicitor will indicate what you would like to hear I will give you any information in my power. So far as I know, I appear here by the direction of the President of the Pennsylvania State College, the college having been summoned, or an intimation made, that the Committee would be glad to hear from its representatives as to the relation which it bears to the State. If you wish information on that subject, I will be glad to give you what I know. It is peculiar, absolutely unique. It has a relation to the State that no other institution in the United States has, educational, charitable, or any other sort. I do not think that this has ever been quite understood by our legislative authorities. In the contractual relations, and those of the State to the United States, and the State and the college, it is absolutely unique. Then I might have a suggestion or two to make as to its maintenance, growing out of the contract which the State made with the United States and with the college. If Mr. Brown will interrogate me and guide me in what you want to hear, I will be glad to give you any information that I have.

By Mr. Brown:

Q. I assume from what you say that it is proper for the State to appropriate money for the support of such institutions?

A. It is not only proper, but an absolute contract that it will do it.

Q. Where is the State benefited by the maintenance of such an institution?

A. From the same point of view that the State is benefited by the maintenance of a system of education. The Constitution, you know, provides for the maintenance of a thorough system of education, under the Act of 1854, relating to what we call high schools. The question has been raised as to whether there was a high school until 1885, until the law of that year was passed. Under the law of 1854, which authorized the establishing of schools in the different counties, we have had high schools in Pennsylvania, but it was the United States Government that really started the idea of the education of the industrial classes for the pursuits and professions of life.

In 1853 Governor Bigham called the attention of the Legislature to the condition of our agriculture, and suggested that we have a State Chemist appointed to make some analysis of the agricultural conditions, and an analysis of the soils. Judge Watts and Robert A. Walker, and men of that class, took that idea up, and in 1853 had a charter granted by the Legislature for the Farmers' High School of Pennsylvania. Inside of a year, in 1855, a new charter was granted, under which the Farmers' High School of Pennsylvania was organized. General Irwin, of Center county, gave two hundred acres of land to the college, and the people of Center county gave twenty-five thousand dollars, on the condition that the institution would be located in Center county. Probably a dozen other people made offers of farms, and the people of Blair county and other counties made offers of ground on condition that it would be located in their several counties. Governor Pollock, then Governor of Pennsylvania, and several of the trustees of the Farmers' High School were appointed a Commission to go over the State and determine where the institution should be located. After visiting the State,

thirteen different locations were considered, but they finally determined on Center county, and they finally decided to accept the two hundred acres of land donated by General Irwin and the twenty-five thousand dollars given by the citizens of Center county to be used towards the erection of the buildings. In the original act of incorporation, the Commonwealth authorized the Agricultural Society of Pennsylvania to donate as much as ten thousand dollars to this institution, which it did. Elliott Cresson, of Philadelphia, was the first private contributor outside of Center county, and he gave five thousand dollars. Subsequently, the Legislature appropriated fifty thousand dollars towards the erection of the buildings. The State gave in the neighborhood of one hundred thousand dollars for the erection of the buildings, and the people throughout the State gave about a like sum. That ushered in the Farmers' High School of Pennsylvania.

In 1862, under the leadership of Governor Morrell, then in the lower house of Congress, and with the co-operation of James T. Hale, a member of Congress and also a trustee of the Farmers' High School, what was called the Morrel Land Grant Act was passed, and it was signed by Lincoln on the second day of July, 1862. The object of the institutions organized under that Act is fully set out in the Act itself. That Act appropriated and set apart thirty thousand acres of land for each Member of Congress and Senator in Congress. Pennsylvania, by that Act, secured seven hundred and eighty thousand acres of land. And the Legislature of Pennsylvania, which was in session in April, 1863, had before it that Land Grant Act, and an offer of the United States of seven hundred and eighty thousand acres of land on condition that it would erect and maintain at least one institution whose principal object should be, without excluding the other studies, to teach such branches as related to agriculture and the mechanical arts, in such a way as to provide the industrial classes with the pursuits and professions of life. If you

have ever seen a better scheme of education, I would like to see it. The industrial classes, mark you—not a high school education—but an education that would fit the industrial classes for the various pursuits and professions of life. A profession in that day was understood to be either theology, law or medicine. That was about the run of professional education. Now, instead of dealing with the professions that deal with the degenerative side of humanity, our professions are looking to the constructive side of humanity, and the engineer is the great man of to-day. We don't deal with the degenerative man, but the engineer deals with the building up of things, and it is under this act of Morrell's, and the educational side of our whole make up that has been established under that Act, that the engineer has become the great man of to-day, and has made our industrial life and our ordinary life what it is. Take that light, for instance, that comes from this bill, and comes from the education of the industrial classes—that arises out of this Land Grant Act. Now, the United States said to the State of Pennsylvania, we will give you seven hundred and eighty thousand acres of land on condition that you erect, maintain and support an institution of this kind, and the Legislature, on the first of April, 1863, in an Act of Assembly, which I will read here, says: "We will do that." Seven hundred and eighty thousand acres of land would be worth at least nine hundred and seventy-five thousand dollars. Here was practically a million dollars thrown into the lap of Pennsylvania on condition that it should maintain an institution. Then the Legislature turned around and said to the Trustees of the Farmers' High School that this college was along the very lines of what Morrell said in this Act that they were to do, this Act that was passed on the second day of July, 1862. It said to them, "You are already teaching agriculture, you simply have to enlarge along the mechanical arts side, and this college, for which the State of Pennsylvania contributed a hun-

dred thousand dollars and the people of the State a like amount, why not just take that institution and meet the requirements of this Land Grant Act?" and the Trustees said, "Certainly, you take it, and give us the benefit of the grant." In 1863 the Legislature passed this act:

"Whereas, By an act of Congress, passed the second day of July, one thousand eight hundred and sixty-two, a grant of land was made to the several States and Territories which may provide colleges for the benefit of agriculture and the mechanical arts, equal to thirty thousand acres for each Senator and Representative in Congress to which the States are respectively entitled by the apportionment under the census of 1860, which Act of Congress requires that the several States, in order to entitle them to the benefit of the said grant, should, within two years from the date of said act, express their acceptance of the same; and

"Whereas, the Legislature of Pennsylvania has already shown its high regard for the agricultural interests of the State by the establishment of the Agricultural College of Pennsylvania, by making liberal appropriations thereto; therefore,

"Be it enacted by the Senate and House of Representatives of the Commonwealth of Pennsylvania in joint assembly met, and it is hereby enacted by the authority of the same. That the Act of Congress of the United States, passed the second day of July, one thousand eight hundred and sixty-two, entitled "An Act donating lands to the several States and Territories which may provide colleges for the benefit of agriculture and the mechanical arts,' be and the same is hereby accepted by the State of Pennsylvania with all its provisions and conditions, and the faith of the State is hereby pledged to carry the same into effect."

Accepts the Act of Congress with all its conditions and provisions, and pledges the faith of the State to carry it

into effect. If you can find any other such enactment by the State of Pennsylvania in regard to any other institution in the State of Pennsylvania, I have never seen it. And I would be willing to leave it to any lawyer if that was not a contract between the State of Pennsylvania and the United States Government. And the Legislature in this Act said further: "We can meet the requirements of this Act by taking this college; and by the addition of the instruction in the mechanical arts, we can meet the requirements of this Act, and we will pledge the faith of the State to carry out all of its conditions and provisions." Now the Act of Congress requires that no part of the income of this land grant shall ever be used directly or indirectly, in any manner whatever, in the erection, maintenance or repair of any building or buildings. What then? Why, of course, the State having pledged its faith to carry out the provisions of the Act of Congress, is bound to maintain the buildings. Now what follows? I said we had seven hundred and eighty thousand acres of land, sixty thousand less than New York. New York had two more representatives than we had. We have twenty-four Representatives and two Senators and they had twenty-six Representatives and two Senators. Under the provisions of the Land Grant Act no State was allowed to locate this land outside of itself. Of course, Pennsylvania having no land within its borders, it could not locate anywhere. So it was with all the States outside of the Southern States, which were in rebellion. Thirty thousand acres of land was granted to each State for each Representative and Senator in Congress. This act also provided for a Commission to consist of the Governor, Surveyor General and the Auditor General, who should attend to the disposition of this land grant. Our Commission consisted of Governor Curtin, Campbell, and I have forgotten the name of the Auditor General. They put the land on the market and sold it for an average of fifty-three cents an acre, less than one-half of what the United States was getting for their

land which they were selling in quarter sections. It really should have amounted to about nine hundred and seventy-five thousand dollars, and it actually yielded about three hundred and ninety thousand and some hundred dollars. Campbell made a report after the thing was closed up. I knew him very intimately. He was humiliated at the way things turned out. He made a report to the Legislature. He said that this thing was a sacrifice. He said we have in the neighborhood of three hundred and ninety thousand dollars, and he suggested that we put it into United States bonds. He also suggested that the Legislature authorize the Commission to sell the bonds, and turn the money over to the Treasurer of the State of Pennsylvania, and that the State should give to the Agricultural College of Pennsylvania its bond for five hundred thousand dollars, and in that the Land Grant Act requires each State to maintain the fund which it receives from the Land Grant Act at at least 5 per cent. interest, I suggest that the State makes its bond bearing 6 per cent. interest for fifty years, the interest in the meantime to be paid to the Agricultural College of Pennsylvania. There is the foundation of the endowment of the Pennsylvania State College, to which the United States contributed in the neighborhood of four hundred and six thousand dollars, and the remaining ninety-three thousand and some hundred dollars was simply a gratuity on the part of the State of Pennsylvania in keeping their contract made with the United States. Instead of giving their bond for the amount received from the Land Grant Act, and at 5 per cent., the State gave its bond for five hundred thousand dollars at 6 per cent., and the State College receives every year from that thirty thousand dollars, fifteen thousand dollars semi-annually on that bond for its maintenance. From 1887 the State gave irregularly to the college at different times. One time, shortly after it took the college, it provided for the payment of a mortgage of eighty thousand dollars, which was necessitated by the erection of the old main hall. Two

sets of contractors broke up in the construction of that building. One end of the building was erected, and students were received in 1859. War came along, and building material advanced, and the building, instead of costing ninety thousand dollars, cost nearly two hundred thousand dollars. It required a mortgage of eighty thousand dollars, bearing 7 per cent. interest, and it cost fifty-six hundred dollars every year to keep that mortgage alive. Finally it was paid by the State. Since that time there have been a half a dozen acts passed by Congress, one called the Hatch Act, which gave fifteen thousand dollars a year for the purpose of making experiments in agriculture, and in order to meet the requirements of this bill, the trustees of the college conveyed to themselves, and to the institution one hundred acres of land, to be set apart under this trust, that it should be held inviolably sacred, for all times, for the purpose of the Hatch Act, under which the State, and through the State the college was to receive fifteen thousand dollars a year for experiments, and that makes the experiment station of Pennsylvania, and the State College holds that one hundred acres in trust, inviolably in trust, for meeting the requirements of the Hatch Act, and it has so held it, and is bound to for all time. They could not sell it, it is held in trust for that purpose, and as a result of that the Legislature said that the income of this Act was to go to the Agricultural College of Pennsylvania. In the meantime the section in the Morrell Land Grant Act, which compelled the land grant colleges to give instruction in the mechanical arts and agriculture, compelled the college to enlarge its sphere, and instead of being the Agricultural College of Pennsylvania, confining its time and attention to agriculture, it took up mechanical arts, and has grown into one of the greatest schools in the United States. It is third in its number of students in the United State, and there are more State College men within a radius of a hundred miles of Pittsburgh, giving their time

and attention to the mechanical arts, and building up your industries, than from any other institution in the United States. I can summon two hundred by telephone that are located in this vicinity, New Castle, Youngstown, Cleveland, etc., and some of the best engineers you have in the various departments of your industrials come from State College. We had a man a few years ago who had a great reputation at the college for flunking. He came to be known as "Flunky so-and-so." He could not get along in his studies, and he finally hit on metallurgy. He found his notch. He could control the college students and get anything from them he wanted. He was not much of a success there at school until he took up metallurgy. When he graduated, and he did graduate in that branch without any trouble, he came here and became assistant superintendent of one of your largest furnaces. He worked as assistant superintendent for a number of years. The superintendent there died, and the thing ran along under "Blank's" management. He could control the men, and he was a master in connection with the workings of the furnace, and he made a record on that furnace that broke the record of the world. He was wearing himself down, and had all the responsibility, and he asked the concern to appoint a superintendent, and they appointed him, and he has been there ever since, and making good. I could tell you of others, and could name them. It is just such work as that that resulted from the extensions of the colleges as required by the Land Grant Act, because it required that all these colleges not only should give instructions in agriculture, but also in the mechanical arts. The Morrrell Acts says that they shall fit the industrial classes for the various pursuits and professions of life. You must keep that in mind all the time. Now, the Legislature of Pennsylvania, of course, in order to meet the requirements of the Act of Congress, had to have a college, because that is the fundamental question in the Morrrell Act, and they said to the trustees of the Agricul-

tural College of Pennsylvania, "Here is this college we have helped you to build, let us take it," and the trustees said, "Certainly," and in the Act of 1863, they said, "We pledge the faith of the State to maintain this college under the Act of 1862. That meant exactly what was in the minds of the trustees of the college, and they said, "When we have the State of Pennsylvania pledging its faith to maintain this institution, it has got to be maintained if there is anything in the faith of the State. That constituted the contract between the United States and the State of Pennsylvania, and the State of Pennsylvania and the college. Now, it is true that this was never considered as a contract in the ordinary sense. It was not considered a contract under which the college could sue the State, but the Legislature, in carrying out the pledge of faith of the State of Pennsylvania, must determine just how far it is to be carried out. The trustees of the college come regularly before the Legislature with the budget, sometimes running as high as three million of dollars, sometimes less, and they generally get about one-tenth of what they ask for. We have a great number of students there now, and the board is considering the question of limiting the freshman class of the coming year to five hundred. Last year it was four hundred and thirty-five.

Mr. Brown: The Legislature of Pennsylvania in the session of 1909 appropriated a certain amount for two years for the maintenance of the Department of Engineering, and also an amount to make good certain payments. The Governor cut both these appropriations, and gave as his reason the insufficiency of State revenue, the lack of sufficient funds being caused by appropriations to institutions not under State control. In your opinion, should that college, the State College, be taken care of before any money was appropriated to institutions not under State control?

A. Yes, sir, I think it should because of the contract.

Q. Entirely independent of the contract, do you think it should?

A. Yes, sir.

Q. Entirely independent of the legal obligation—take the moral obligation?

A. Yes, sir. I got a notice the other day from a little fellow named A. Solomon Silverstein, informing me that I was elected an honorary member of the Cosmopolitan Club of the State College, composed of men from nearly every country, graduates from State College. Here were boys from Cuba, Porto Rico, and from all over the world, and they got up a little club. It was signed by A. Solomon Silverstein, secretary. A few years ago, before Dr. Sparks came to the college, having been president of the Board of Trustees, I was asked to occupy the president's chair. I spent most of my time there during my vacation. Miss Smitsky, the president's secretary, told me of a young fellow from Philadelphia, who prepared at the Brown Training School, who was there with only three dollars in his pocket to get an education. I sent for the boy and looked him over, and made up my mind he was going to make good. I said to her, "You tell this boy to go to McAllister Hall and board three weeks at my expense." She told him the next day, and he would not go. He said, "I have a job now." He never took the three weeks' boarding. He had a job in the dairy building, giving so many hours a day there. He is now in his third year—a bright young fellow. He worked in the day and is studying at night, and he is going to be one of the educated men of this State. I was sitting in the office one day when a fellow came in. He said, "I have a suit of clothes and twenty dollars, and of course that isn't going to pay for my books, boarding and so forth. What am I going to do?" I said, "Over there at McAllister Hall the people will give you a table to serve if you can bring twelve people there, and you will get your board." He said, "I am a stranger, I don't know a soul here." Dr. Welsh became interested in the case, and said he would see what he could do. He sat back and said, "Will you pare potatoes?" The boy said, "I will do

anything that is decent and honorable to get an education." Dr. Welsh said, "You pare potatoes two hours a day and you will get your board." And he did that, and now he is away up in his class. I know three fellows that have two rooms together, and every evening at eight o'clock they shut up shop and press trousers at ten cents apiece, and are going through college in that way.

By Mr. Brown:

Q. I assume that it is your opinion, if there is not sufficient revenue, that this institution should be favored?

A. Yes, sir.

Q. All of its immediate needs should be satisfied?

A. Yes, sir, and as a matter of fact the contract comes first.

Q. Assuming the revenue was not sufficient, do you think the State would be justified in increasing her list of taxables?

A. Yes, sir.

Q. You think a State should increase the taxables in order to take care of these institutions?

A. I have had that in mind for a number of years, and a great many of the States are setting the example. In one State they laid a tax of one mill for the support of their land grant college. Probably ten or twelve States have levied a tax of one-tenth of a mill for the support of the land grant colleges, in accordance with the contract which they had made with the United States to support at least one college, whose principal object shall be to give instruction in the sciences that relate to agriculture and the mechanical arts.

Q. Your idea is that in such institutions those who take a course in those branches should be cared for, and the State should provide sufficient money?

A. No, I don't think that the State should say, "You go there and we will board you." The college endeavors to

provide for them. I know of two hundred fellows that are going through college on two hundred dollars a year.

Q. Where is the State limited in its obligation under the contract of the grant?

A. It is not limited.

Q. It should take care of this institution?

A. Yes, sir.

Q. And that should be done even to the withholding of their support for institutions not under State control?

A. Yes, sir. I never went that far in my personal relation to this thing. When I was in the executive office I had the same trouble. I was confronted with so many millions of appropriations and so many millions less of revenue, and it had to go around. I worked it out this way, that no charitable institution should lack funds to carry out its work. There is a hospital here, the West Penn Hospital. They had so much to pay a mortgage, so much for maintenance and so much for improvements. I told James B. Scott, who came to see me with reference to this appropriation, that they were not to turn a patient away from the institution. I told him how much they would be allowed, and when we had talked it over he said it was reasonable, and they would have to be satisfied. We have built a stone-like structure out of concrete, and we have one of the best chemistry lecture rooms in the United States. A few years ago our mining department became so pushed for room that something had to be done. We could not wait until the Legislature met. We solicited funds. We came to Pittsburgh and a half a dozen people gave a thousand dollars. One man gave twenty-five hundred dollars. We put up a hemlock building, and whilst it is a miserable affair, yet it serves the purpose, and will until we can get something better.

By Mr. Brown :

Q. Do these men stay mostly in the State of Pennsylvania?

A. They go wherever the inducement is greatest. A man interested in mining will go to Nevada or Colorado, or sometimes to Mexico. There is a great demand for instructors in this branch, and we are every year sending men all over the country to fill these places. One man is at the head of the experimental station in Oklahoma, and a man by the name of Fields has been connected with the Agricultural Department for some time. As I said before, I could summon two hundred men by telephone within fifty miles of Pittsburgh, and that will give you some idea of the influence that the men of this institution are exerting upon the industries and institutions of this Commonwealth.

By Mr. Moyer :

Q. I understood you to say that you have students from almost every section of the world?

A. A few.

Q. Do they pay the State College a tuition fee?

A. Not now. We used to charge one hundred dollars for people outside of Pennsylvania, but that led to a good many complications, and we stopped that.

Q. Based upon the fact that the State of Pennsylvania maintains this institution, don't you think that the students there should be confined to citizens of the Commonwealth?

A. The college has never encouraged students from outside of the State to become enrolled there. The college is so well known, and particularly in agriculture the standing of the college is such that it draws students from every State. To have such a rule would result in people coming into the State and locating somewhere, and making their declaration of citizenship, and say I am a citizen of such and such a place, or town or borough, and then become a student at the college. He would have a right to become a citizen, and then would have the right to become a student. I have a list here of the students from the several counties in Pennsylvania. Allegheny leads with 95, Philadelphia next with 87, and Center county next with 70.

And so it is all down the list, and every county is represented but Pike county. That will give you some idea of the representation throughout the State.

By Mr. Hunter:

Q. Assuming that the State would appropriate all the funds that you would ask for, would the number of students at your college increase with greater rapidity than it has in the past?

A. I don't know that it would. I don't think we could keep up with the increase. The town is endeavoring to take care of the students so far as lodging is concerned. We don't have college dormitory buildings. If we did we would get fifty dollars for every room, and that would be an income. That would be one way to provide for this institution, and one of the best ways. If we had dormitory buildings to accommodate a thousand men we would derive a nice income from them, and the State could not put the money anywhere to better advantage.

By Mr. Moyer:

Q. I am not quite clear as to what your test of citizenship is. You said that if a boy declares himself a citizen of the State of Pennsylvania, he can be enrolled as a student at State College. Is that test a mere declaration?

A. Citizenship depends upon the intention. If a man declares his intention to become a citizen, he becomes a voter, because it requires citizenship to become a voter, and so in a certain time he becomes a charge upon the district into which he comes, and that district is bound to support him, and so it is all the way through in regard to the recognition of citizenship.

Q. You would think it would be all right then, inasmuch as the State appropriates money for the maintenance of this institution, and this established contract entered into with the United States Government, that the student body should be confined to the State.

A. If you look at it from that point of view I think it

would be all right. At other institutions, such as Cornell, students from Pennsylvania pay a fee to go there.

Q. They pay a tuition fee?

A. Yes, sir.

Q. You refer not to the Cornell University, but to the agricultural school.

A. It is a part of the Cornell University, and also a State institution. I wish we had had a Cornell in Pennsylvania. We would have had a million dollars out of the land grant. Cornell bought the land from the State, and located it himself, because the State couldn't locate it. He held the land and sold it at a good price. He never sold an acre for less than ten dollars, and some of it as high as twenty-five. The college was to pay Cornell for what he had put into it, with interest at 6 per cent., and the proceeds of the sale of the land were to go to the Agricultural College and Cornell University. If we had had someone here to take this seven hundred and eighty thousand acres of land and locate it in the timber lands of Wisconsin and some of the other States, and held it for us to be disposed of in the same way, we would have gotten enough out of it so that we wouldn't have to bother the State.

Q. It seems to me, inasmuch as you made this statement here that the board of trustees was thinking of limiting the freshman class to five hundred on account of there being so many enrolled, that there should be no difficulty in coming to the conclusion that State College should confine its students to those who are citizens of the Commonwealth.

A. We would have to go further. Say we limit the number of students coming to our college to five hundred per year. We would have to go further and say they will be admitted from the counties of Pennsylvania in proportion to their population, if they claim the right to them. That would be necessary, and indeed originally that was the case. If Center county would say we want more than our proportion, the trustees would say, "No, you can only have

your proportion, according to the population, of the number enrolled.

Q. What in your judgment should the State do with charitable institutions over which it has no control, and the title to his property is not vested in the State in its relations to these institutions? Should it continue appropriating to such institutions?

A. That is a very broad question. Of course, Pennsylvania does more of that than any other State. At least it did when I made a study of it, and I never could quite make up my mind that the State of Pennsylvania could shut up its bowels of compassion.

Q. At the time you were Governor did it ever strike you that there were too many hospitals?

A. Yes, sir.

Q. What would you say as to a consolidation of hospitals?

A. I suppose I made as many enemies as anyone possibly could by vetoing bills for hospitals. I have gone through hospitals that had a hundred vacant rooms, and again into others that had not only every bed occupied, but the operating tables. They had a patient sleeping on the operating table because there was no bed. The hospitals for the insane and our miners' hospitals are such institutions. The State has paid for them and has the title to them, and is under obligation to maintain them. A great many of these private hospitals are coming in and saying, "We will build a hospital and help maintain it, but we want help from the State." Why shouldn't we give the help to the hospital rather than build it and own it? It can't be used for any other purpose. The State rather gains by it rather than loses. I remember during my term in the executive office that the Legislature appropriated a certain amount for three miners' hospitals. I appointed three of the keenest men I knew of in Pennsylvania to build them. After they reported to me what they could do with the appropriation, and had located the three places for the buildings, I said it wouldn't do, that there would have to

be four, and they would have to build them out of this appropriation. I told them if they could not do that they would have to go to the several communities in which they are located and say that they must help finish them. They had assurances from the different communities that such would be the case, and they did build the four hospitals, one at Mercer, one in Philadelphia, one in Center county and one in —————, four regions in which hospitals were needed. We cannot hustle these men injured in mines all over the State. There must be some place near where the injured can be taken, and you know that question of taking care of the diseased and injured is just as important as the question of education. Where you can get a community to help build an institution and help the State pay for it, it looks like a good proposition.

Q. And the title is vested in the State?

A. Yes, sir.

Q. And the State should take care of its own?

A. Yes, sir.

Q. Did you ever come across a concrete example where money appropriated for maintaining a hospital was ever misused? Was that ever brought to your attention?

A. Oh, yes, all sorts of questions of that sort. I never found a well authenticated case in which the accusation was made absolute. I think in the main our hospitals are thoroughly well managed, but, of course, I haven't very much knowledge on that subject.

By Mr. Brown:

Q. Assuming there is a great necessity for insane asylums, do you think it is proper for the State and wise, to delay in the erection of those institutions, because she has not money to do it and appropriate to institutions not under State control? Shouldn't she build her own institutions first?

A. I was on the commission for building the hospital for the insane at Warren. There were only three of us, and

you can get along with a commission of three. I said, "Gentlemen, we are building for a thousand years. A State does the most economical thing when it builds the most reliable buildings, buildings of stone, iron and concrete, and we will put the best that can be put into this building." I believe we did it. We ran along for about ten years building it, but when it was built it was there for all time. We had the best builders we could get in Pennsylvania.

Q. Was it not possible to erect it in less time?

A. It could not have been erected properly in less than five.

Q. So that for five of those ten years that institution could have been used?

A. Yes, sir.

Q. Before you finished the institution you were paying for repairs and up-keep?

A. No, I don't think so.

Q. Did you have that brought to your attention as to other buildings?

A. Yes, sir. The one at Norristown was built about the same time, and before they had finished it, they had to go over it. If you visit the two institutions you will see the difference. I do not believe there is any economy in building for the State in a cheap way.

Q. We have had several letters complaining that the State institutions should be finished first.

A. If you put it on the ordinary business proposition that a man should take care of his own first, then I think it would be the thing to do. But humanity demands sometimes that we sacrifice self and help the other man.

Q. Do you think that would apply to the case where the insane are concerned? Why should the insane be allowed to roam at large for want of proper quarters, while these moneys are being distributed to these institutions?

A. That is true, and where the insane patient can be

taken care of in the first instance and probably restored, you cannot spend too much.

Q. Would the same apply to the feeble minded?

A. Not so much in that case when their ailment is permanent, but when a man can be restored it is the only proper thing to do. We have erred in the direction of spending more money on our so-called insane patients; not strictly so in the ordinary sense, they have got beyond that. They have got to the point where nothing can be done for them, and they cannot be restored. But the others, and the chances are that seven in ten can be restored, should be taken care of. I became interested in the question of the larger counties maintaining their own hospitals for the insane, and a great many of them are doing it and doing it well, some of them perhaps not so well. Just before I give way to Dr. Sparks, who can tell you of the relations of Pennsylvania to the other States, there are two ways that the State College can be maintained without trespassing upon any other educational institution. I believe in the largest possible appropriations to our educational institutions. I do not believe that Pennsylvania can expend too much in that direction. I would rather spend money in developing minds that will have a tendency towards benefiting the Commonwealth, than upon minds that can never do anything.

Q. But each man, of course, must be taken care of?

A. Yes, sir, just the same as you provide for your paupers and your children that go to school. When you look to the welfare of the State, the thing is to take care of the coming man, not the man gone, although you must take care of him, because the dictates of humanity compel it. Dr. Atherton was a wonderfully far-sighted man in his day. He had a bill introduced to lay a special tax of one-tenth of a mill, or one-half or one-fourth, or whatever it may be, to be set aside for meeting this distinct engagement with the United States of America and the Pennsylvania State College, that is to meet the pledged

faith of the State of Pennsylvania, which has never been given to any other institution, and which has been given in pursuance of the contract which the State made with the United States. It said, "Here we have a college. We pledge you that, and pledge to maintain it in order to meet the requirements of the Morrell Act." That is one of the most remarkable things in the history of this country. Abraham Lincoln, when McClellan was on the banks of the James, when there never was a darker day in the history of the United States, signed this Land Grant Act, and I believe that in time to come that Act will be as much spoken of to the credit of Lincoln as the Emancipation Proclamation. The Emancipation Proclamation only released a race of slaves, while this bill paved the way for the development of the industrial classes in the United States, on whom the welfare and the perpetuity of the United States depends. I don't know whether it is within the province of this Committee, but there are one or two ways through which this institution can be provided for. About twenty other States have provided a special tax. Probably one-tenth of a mill would be sufficient. It takes about a half a million dollars. It takes about four hundred and seventy-five thousand or five hundred thousand dollars a year to meet the requirements. Nearly a hundred thousand comes from the United States, thirty thousand we get from the Land Grant Act, and fifteen thousand from the Hatch Act. And Morrell, after this Land Grant Act went into effect, and after the Southern States that had been in rebellion came back into the Union, because they were shut out by the Act of 1862, and yet needed it as badly as we did, had a second Act passed to cover their cases, by which the United States gave twenty-five thousand. It began with ten thousand, and afterwards went to twenty-five thousand, to all of the States for the education of the industrial classes along this line, and the State of Pennsylvania directed that should go to State College. Now we need upwards of four or five hundred thousand dol-

lars for maintenance, without any question of building. The Governor of Pennsylvania was at Pennsylvania Day, and when he had made a little address, I had an arrangement with him, by which we would slip out, and I got a carriage and drove him around the school. We went through the agricultural building and the dairy building, and when he came out, he stood on the steps of the agricultural building, looking towards the Nittany Mountains, and said, "I will tell you what you need here. You need twenty million dollars, and I am afraid you will get it." I said we didn't want it this year but would before we got through with this institution if it is to compete with other institutions, and so we will. We have an offer of a million to go into an engineering building. The gentleman has stated that he wants to do that more than I want it, but he has got to make his million first. These great industries that are building up in Pennsylvania, and building up Pennsylvania, must be provided for. Here is this question of mining, and providing for the safety of the men. It is being shown now to the people how mining can be done in safety, and how safety is to be brought about, and the loss of life reduced, and it is so in the other departments. We have a class in agriculture in Greenville in which the farmers of that locality are being instructed as to farming. In Altoona the Pennsylvania Railroad is building a building for the instruction of the employes, and we send a professor there every week. We have a class in Williamsport and one in Altoona in which instruction in the mechanical arts is being given, and if we had the amount necessary, we could cover the State with institutions of this kind, where we could be training the men for the work they have to do.

In addition to this fraction of a mill tax, there is another way. This institution is really the head of the school system. We are endeavoring to have the superintendents of instruction bring their high schools to the point where their graduates can be admitted to the State

College. Suppose you appropriate seventeen millions of dollars to common schools. A simple way would be to provide that one-tenth should go to the maintenance of the State College, and that would remedy the whole difficulty, and would not make a particle of difference, except on paper, to the State of Pennsylvania. The schools of Pennsylvania would not know the difference when their warrants came to be paid to them, if one-half of a million were put into this out of their appropriation. Of course, I know what that means to the Legislature. The average Legislature gets its orders, but just a little provision of that kind would not make a particle of difference so far as the people are concerned. To my mind that is the simplest and easiest way, and in the next two years, when you come to appropriate twenty millions of dollars to common schools, just say that one-twentieth of that shall be for the maintenance of this institution. I believe that either one of these two things will make it easy to provide for this institution, if we are to do what every other State is doing for their land grant colleges.

DR. SPARKS, representing State College, spoke as follows:

Governor Beaver has been connected with the college for over twenty years, and he has covered the ground very fully. There is something connected with the administration of the college which he has covered, especially the point which I hoped he would, that the taxes as collected from the people of the State should be invested in the college, and the returns go to the State at large in the way of these experiment training classes. We are starting weekly schools in Greenville, in which seven or eight counties are represented. Our mining work is especially extensive, and all that work we think belongs to a tax-supported institution. The great difficulty we have experienced is in getting the results of our experiments to the people. We tried the pamphlet form with the farmers, but you and I know that the farmer is a busy man, and you cannot picture him in the evening reading a pamphlet—he wants to go to bed. In the winter he is engaged, and all during the summer the farmer has no time to read them. It is the same way in the shops. This summer we intend having a session for teachers, of six weeks' duration. It is to be supported out of the general funds, and we intend giving instruction in agriculture, horticulture, and the domestic sciences—such work as has not been done in any other institution, and in that way give the country districts the same training as in the cities. The trouble heretofore has been that the teachers were not fully capable of teaching the practical side. We propose first to instruct the teachers in this practical education. For five years we are not expecting any results. Then at the end of that time you will be able to see what we have done.

By Mr. Hunter:

Q. There seems to be some doubt in the minds of many people as to State College being a State institution.

A. I see that State College is classified among private institutions receiving State help. I cannot understand now that is, but that has been the classification. As to whether or not it is a State institution would depend upon the title in which the property is vested, and also the method in appointing trustees. There is a wide difference in the appointing of the trustees and the holding of the title. It is vested in the Board of Trustees in this State. In some of the Western States it is vested in the State. The Auditor General of the State is made the holder of the title. Our trustees are appointed partly by the college and partly by the sessions of the college. That same thing holds good in many States. In the Western States the Board of Trustees is appointed by the Governor. In some States, New York and Maryland, I think, the board itself appoints its members. In this State we are as nearly ideal in that respect as in any other State. We have a certain number appointed by the Governor. It is a question whether he appoints a sufficient number.

By Mr. Moyer :

Q. What proportion does he appoint?

A. Eight out of thirty-one.

Q. If he were to appoint seventeen out of that thirty-one wouldn't that settle the question?

A. That would give the political parties control of the board. That is just what happened in Oklahoma. The Democratic party, when it gained control, removed the Board of Trustees and the whole faculty. That might be a drawback, but I cannot see that it would make any difference in the efficiency of the board.

Q. Could not these appointments be permanent?

A. There should be some course like that. Oklahoma is practically an experiment station for the United States at the present time.

By Mr. Hunter :

Q. What are your methods of purchasing supplies?

A. We prepare a schedule the same as the State of Pennsylvania. Bids are taken on that the same as is done in the State. The schedule will be ready very soon for supplies from the first of July, for one school year. Bids shall be asked for, and the contract for furnishing them let to the lowest bidder. That is for the common supplies. We have to buy large quantities of chemicals, and supplies of that nature, and on them we cannot take bids until we come to the specific purchase. We have a book that shows at the end of each month the supplies used. That system has been used for a number of years.

Q. You still use that system?

A. Yes, sir.

W. S. MILLER, representing the Pittsburgh Board of Trade, spoke as follows:

I will only take a few minutes of your time. Mr. Chalfant, our legal representative, is here and he will take up the subject of the mercantile tax. If you will permit, I will tell you about the Pittsburgh Board of Trade. It is an organization in the East End, has its own location, and has over twelve hundred members. It has done a great deal of good work. It has improved and widened some of the streets in the East End, and it was through its work that the Pennsylvania Railroad Company got rid of the old station and built a new one at East Liberty, and the organization is working hard to get a new freight station. The influence of the Board of Trade is extending all over the city and even through the State. It is located in the center of the dwelling population of the City of Pittsburgh. It is not a limited body, as you see. It is a business concern, but has a legislative committee. We have followed its suggestions as to the means of having a foreign corporation make a report to the Auditor-General as to the stock which it claims to have paid up, and if it was paid in good faith, as well as the bonds, whether or not they are fictitious. We want you to have an Act passed that will put these foreign corporations on a plane with the home corporations. We have found here in Pittsburgh agents selling stock to our people. They go around to our dwellings and get the women to subscribe for stock in fake concerns, in which they claim the stock has been paid for. We have tried to break this up and check it all we can. One man reported that Mrs. ——— was going into the oil business. An agent had sold her some stock. We made an investigation of the corporation, and found that the three millions of capital stock claimed to have been paid in was issued under the Arizona Corporation Act, and the paid in stock was

simply that. They had contracts for oil and gas, and the consideration which they agreed to pay was to come out of the proceeds of the oil when it was obtained. The fact of the matter is, that the paid up capital stock was simply nothing, merely a fake concern, and the investigation of our board in the East End, of course, showed that up. I found business men in the City of Pittsburgh, who had taken stock in that company, and they thought they had a wonderful company on account of the capital stock paid up. Now, we have another suggestion, which I think is proper and ought to be attended to. I am going to leave this paper with you. I will read it to you:

“That a failure to record the articles and certificate of incorporation in the county in which its business is carried on shall not forfeit the rights of said corporations to maintain suit or suits, but that suitable penalties shall be provided for such failures, with a further provision that a suit cannot be maintained until the corporation has recorded its articles and certificate of incorporation in the county in which its principal place of business is located.”

Just an illustration of that. After you take out your charter, and pay the bonus, and have everything all right, but you fail to record your charter in this county, if the place of business is in Allegheny county, you forfeit all the right of your company to maintain a suit. A short time ago an action was brought here in Pittsburgh for over three hundred thousand dollars by a contracting company. When the case came to trial they were unable to say that the charter had ever been recorded. They had neglected that. They had influence enough to go to Harrisburg last winter and have a bill passed validating all acts done under that charter. But, then, a company of men, or a small company that is not able to secure such an Act would lose this money. We think it is too great a penalty. We suggest a penalty sufficient to cover the circumstances—whatever the Legislature may think right.

By Mr. Brown:

Q. What do you think right?

A. I think a fine of one thousand dollars would be about right.

Q. What are to become of the people who do not know that they are not incorporated until they have recorded the charter?

A. They must present that to the Secretary of the Commonwealth; and another act is that it must be recorded in the county where its place of business is, so that the people may have knowledge of who the corporation is. They know it is a corporation, but do not know where or under what laws it was incorporated. We make this suggestion to you, and there should be some kind of a penalty for a corporation that makes this mistake. We allow foreign corporations to come in and do as they please. They should have to do the same thing as domestic corporations.

Q. You would allow the foreign corporation to own real estate in Pennsylvania?

A. Yes, sir. We ought to allow them to do that after the corporation has honestly shown it is an honest corporation, that the stock is paid up, and what property it has. They should be permitted to hold real estate. In fact, nearly all of these manufacturing concerns that have come in from other States have tried to have acts passed permitting them to hold real estate. While Governor Pennypacker was in the chair, one company succeeded in having an Act passed permitting it to hold real estate but the Governor vetoed the bill, and they have to hold that property in the name of an individual. It ought to be held in the name of the foreign corporation. Then you could reach it. You could tax it, and you could get service. As it is now I don't see how you could do it. The Board of Trade is more interested in the question of the mercantile tax than in the question to which I have referred, and passed this resolution:

“Whereas, The direct State tax now levied on the business of wholesale and retail merchants, commonly known as the Mercantile License Tax, has been found to be unjust and inequitable, and the cost of advertising and maintenance of the office necessary to enforce the collection thereof is excessive and burdensome to the people; be it

“Resolved, That we recommend the repeal of all Acts of Assembly relating to said mercantile license tax in so far as the same apply to wholesale and retail vendors of, and dealers in, ordinary goods, wares and merchandise.”

By Mr. Moyer:

Q. Of course, you understand this mercantile tax question. I want to ask you a question relative to it. You are at the head of this Board of Trade, and act for it, and a man of experience. If you abolish the mercantile license tax, what would you say as to taxing manufacturing corporations?

A. This tax question I don't know anything about. Mr. Chalfant has had occasion to study it.

Q. You certainly have an opinion. What would you say as to taxing manufacturing corporations? Don't you think they ought?

A. I think they ought to be taxed.

Q. You think they are better able to pay a tax?

A. Yes, sir.

By Mr. Brown:

Q. I wish to ask you why shouldn't they pay something towards the State expenses?

A. I see no reason. There is another matter, and that is the taxing of churches. I do not see why churches should not be taxed. Why shouldn't a church in the South Side and in the East End pay taxes when they own valuable property, and when only probably one-tenth or one-twentieth of the people go to church?

Q. You think the people that don't go to church ought to be taxed?

A. You do tax the people that don't go to church. Why should we protect a special lot of rich people, who have more than one or two million dollars in church property in the East End, and tax the poor people?

Q. The theory is we are all expected to go to church, and the burden is equal upon all of us.

A. I do not think that more than one-tenth of the population, or one-twentieth of them are church members.

Q. That undoubtedly applies to Pittsburgh. It does not apply to Philadelphia.

ATTORNEY CHALFANT, representing the Pittsburgh Board of Trade, spoke as follows:

I do not intend to make a speech nor to enter into a lengthy discussion of this subject. I presume we will have to do away with the subject of levying taxes on church property for some time. There is only one question which I desire to present. You have heard the resolutions. It is a very simple matter to have a resolution passed that way. You have probably found out in this investigation that you have been making, that the only popular tax is the tax the other fellow has to pay. While I do not say that is true throughout the State, it certainly is true here. I have not been able to find a single business man in favor of the mercantile license tax. There may be some, but I have not found a single man in favor of it. There are several reasons. The cost of the collections is excessive, and the maintenance of this office force, known as the Mercantile Appraiser's Office. I think you are all familiar with this species of taxation. There are different Acts that apply to different parts of the Commonwealth. I can only speak for Allegheny county. I will simply present the views as presented to me. We have here our Mercantile Appraiser's Office, whose duty it is to levy and collect the taxes. The costs of that, as I understand the Auditor-General's report, is about 11 or 12 per cent. of the gross collections, the cost of collection. I got those figures from his report. But when we go back of that we find this, that the figures do not tell the truth. I do not mean that the Auditor-General's report is not correct. If we go back of that report we find very often that the wholesale or retail merchant has paid fifty cents for having his business assessed. So he is paying that and the expense of maintaining that business, and the expense of collection. We have a system in this county of

advertising. What I am saying will not meet with the approval of the press. We advertise in this City. Do you advertise in Philadelphia?

Mr. Brown: Yes, we do.

Mr. Chalfant: The appraiser goes to every store and makes a personal investigation of just what his business is and everything connected with the store. After all this is done, and the merchant knows his assessment and tax, we take all the moneys collected and pay for advertising in five or six different papers in several publications of the papers, and we have to pay for the privilege of telling man what he already knows, and for the rest of us not concerned in it, we buy the papers, and when we are going home in the cars we take out the news section of the paper and throw the rest away. It adds to the worry of the street car conductors and the street cleaners. It might be right to do this advertising, but I believe that it is just so much of the people's money thrown away. Then there is the expense of the legal department, to which the State appropriates five thousand dollars, to be applied for counsel. It would hardly be right to say anything about that office. It may be that five thousand dollars is not too much to apply for the furnishing of legal advice for that office. That is one of the points suggested by the business men. Another point is the manner of taxing. Why should we find this circumstance, and it is the point suggested by the chairman of the Pittsburgh Board of Trade, that the taxes are not equitably assessed. We find a man selling a certain class of goods. He is taxed a mercantile license. Next door to him is a manufacturer, manufacturing the same class of goods and selling them, without paying any mercantile license. I see no reason why the manufacturer should not be taxed. If we are going to levy a tax on the wholesale or retail vendor of merchandise, it seems to me that the manufacturer should be taxed likewise. As it stands now, this tax is unjust to the merchants. After such taxing as the State does,

they are turned over to the tender mercies of the Mercantile Appraiser to exact from them, together with the tax already paid, an additional tax. That is the experience here. After they have paid a tax, they pay another tax for the privilege of doing something for which they have already paid. I believe, however, that a species of taxation, a level tax, will meet with the approval of the people of Pennsylvania. As it stands now, I do not think it is either equitable or just.

H. S. KEIL, representing Jones & Laughlin, spoke as follows:

I want to express my appreciation of the manner in which this Committee has listened to the addresses that have been made. I just want a minute of your time. Mr. Oliver is present with us this morning, and I have the report of the Jones & Laughlin Steel Company, which I represent. This report suggests a continuance of the excluding of firms engaged strictly in manufacturing from taxation. Mr. Oliver's brother, I understand, was instrumental, in 1885, in having manufacturing corporations excluded from taxation for State purposes. We have had a number of prominent manufacturers in Pennsylvania, that you all know, but I do not think that any one of them has done what H. W. Oliver has done, in this one act of having the manufacturing corporations exempted from taxation for State purposes, for that helped to make them what they are to-day. I do not think that any little amount of taxes that the State of Pennsylvania could get would make up for the loss of pre-eminence of Pennsylvania in a manufacturing way. The Jones & Laughlin Steel Company is willing to pay a large amount of freight to bring its ore twelve hundred miles to manufacture here in Pennsylvania. I think it would be a mistake to put a tax on the stock of manufacturing corporations, in view of the history of the advantage it has been to the State. I dislike exceedingly to pit one concern against another. We have paid a mercantile tax for a good many years. A merchant takes his money and invests it in a stock of goods, and puts it in a store, and you put no local tax on that stock. Mr. Oliver takes his money and puts it into a manufacturing concern, and his machinery is taxed for local purposes and the other is not. We do pay on what is not employed strictly for manufacturing purposes. We have a large number of other companies in which

we have stock. We pay a tax on that for local purposes, so that the State tax is not the end of it by a good deal, and hardly the beginning. A railroad company pays taxes on its capital stock, and claims exemption from local taxes on its right-of-way and all of its property used for railroad purposes. When we pay our State tax, it is not a beginning of what we have to pay to the State, county, townships and other municipalities. There is another point that I wish to speak about, and that is double taxation. Sometime ago we were compelled to incorporate a coal company, owning about twenty-five thousand acres of coal. We could not locate in Pennsylvania because we could not hold real estate. We were compelled to pay a tax in Maryland and in Pennsylvania because we built a road to carry the coal mined in New York on the north and Maryland on the south, and it would be in Pennsylvania. Manufacturers could locate here, and could just as easily locate elsewhere, but they prefer to locate here on account of the liberal terms offered. We are compelled to pay a tax on that because the capital of the Jones & Laughlin Company invested in that is not employed in manufacturing. The Pennsylvania corporation pays the capital stock tax. It is not capital employed in manufacturing, and we are liable to the State of Pennsylvania because it is a foreign corporation:

By Mr. Brown:

Q. You assume that the State of Pennsylvania holds the pre-eminent position of manufacturing because of the exemption from taxation?

A. Yes, sir. We not only extend this establishment here, but other corporations come in and locate within the boundaries of our State.

Q. My understanding is that nearly every other State except Pennsylvania taxes corporations?

A. Yes, sir. Taxes are a burden, as stated in my written report, and boroughs and other municipalities have offered

to let corporations locate within their borders and be exempt from taxes for a number of years.

By Mr. Hunter:

Q. The question of natural resources does not apply to Pennsylvania as it used to?

A. No, sir; and a manufacturing corporation could locate outside of Pennsylvania if it wanted to. In years gone by it was generally understood that Pennsylvania had all the natural resources necessary for manufacturing purposes. Now, the developments in later years have practically deprived them of that—the developments in other States.

Q. The other States are in as good condition as Pennsylvania for manufacturing purposes?

A. Yes, sir. But we would rather haul our ore here and manufacture than haul our coal to some other State.

Q. Isn't it true that some of the large mill interests are building closer to the ore?

A. I don't know whether their locating in other States is on account of the ore interests. But, of course, that would have something to do with it. The State of Pennsylvania could well afford to pay the taxes to get them to locate in the State of Pennsylvania.

Q. Assume that the State of Pennsylvania required more revenue for the support of her institutions for the insane and other legitimate outlays. Assuming that the other taxablees were carrying the whole burden, don't you think these manufacturing interests should help?

A. No, I think not. Manufacturers then will be driven to the inconvenience of moving their plants to States where they won't be taxed. We do help. My impression is that we have reached about the limit.

Q. That the manufacturer is paying as much as he ought to pay to have his business continue in its present healthy condition?

A. Yes, sir.

JOHN J. JACKSON, representing the Westinghouse interests, Pittsburgh, Pa., spoke as follows:

On account of it being near the time for adjournment, I will read my report here to save time.

(Report read and filed.)

By Mr. Moyer:

Q. Isn't it a fact that a charter from the State of Pennsylvania or New York is accounted as worth as much as ten charters from other States?

A. I don't know.

Q. Would you, as a manufacturer, incorporate under the laws of Arizona, or Nevada, or Delaware, or North or South Dakota, or any of these States?

A. Perhaps not.

Q. Don't you think that a charter from the State of Pennsylvania, with its safe and sane policy, that that is recognized by a manufacturer to be of considerable value?

A. Yes, sir. But I would not like to make the statement that a charter, in my mind, would be worth as much as ten or twelve from other States.

Q. Don't you think that the fact of the charter being so valuable to the manufacturing concerns they should help bear the burden of the State expense?

A. I think that any other policy than that in use at present might, perhaps, drive us into such States as New York and West Virginia.

By Mr. Brown:

Q. Do you think that your views fairly represent the views of the manufacturing interests of this City?

A. Yes, sir.

Q. Assuming that the burdens of the present taxables are sufficient, and there is a need of more revenue, is it

your view that manufacturing corporations should not be taxed?

A. I think the manufacturers in Pennsylvania are under all the taxation they can bear. If you put another tax on them, I think it will react, and will come back upon the very good people of Pennsylvania and other citizens, and it is a matter that should not be allowed to be done, to put another tax on manufacturers.

Q. We have received many letters from all manner of interests in Pennsylvania, asking why manufacturers are not taxed. That is the reason I am directing the attention of manufacturers to that point. Mr. Wilson H. Brown, of Philadelphia, said that they had come to the conclusion that no such tax of one mill would have to be levied on manufacturing interests, and that they thought it might be an entering wedge that might be used for the purpose of making the tax larger; but if they thought it would be stopped at one mill, it would be satisfactory.

A. If we were to pay more taxes in Pennsylvania you are going to put us in a position where we cannot compete with the competitors in any other State.

Q. I said that I thought that should be considered by the Legislature, that the case should be presented in such a way that they could take whatever action they thought best.

A. I think we are paying as much if not more taxes than we should.

Mr. Moyer: As Mr. Brown said, this matter has been widely discussed, and, of course, the function of this Committee is merely a matter of hearing what the views of this Commonwealth are, and boiling that down to a fine point.

H. F. HECKERT, representing the St. Francis Hospital,
made the following statement:

A legislation should be enacted regulating a charge for all employes of corporations. Governor should accept appropriation bills as passed, or make personal investigation by hearing or visit before modifying same. Theory of appropriation through Charity Board approved.

Here the Commission took a recess until 2 o'clock.

Public Meeting, Pittsburgh, Pa., afternoon March 25, 1910.

SAMUEL W. BLACK, representing Real Estate Dealers,
Pittsburgh, Pa.:

In order to save your time and mine, I have prepared a paper, and I would like to suggest or ask your Secretary to read it. (Paper read as follows):

The assessment made for the county is used also for the boroughs and townships in levying their local taxes. The City has assessors of its own, appointed by the Mayor.

I ask that the law regarding the Board of the Assessment and Revision of Taxes for State and county purposes for counties of 300,000 to 1,000,000 population, which is now in force only in Allegheny county, be changed, giving the County Commissioners, Controller and Treasurer the appointing power, and thus taking away from the Judges of the Common Pleas Court.

This law was created four or five years ago, taking away from the County Commissioners the work of revising and adjusting the tax assessments, because the County Commissioners were burdened with too much work.

Having a Board of Assessment and Revision of Taxes with the power that they now have of selecting and appointing assessors all over the county, is a good one, for there is no reason why an equitable assessment should not be made if the Board of Assessment, etc., is careful and uses good judgment in selecting the assessors to do the work, and as the Board can revise the tax assessments any and every year at their discretion, they have ample time to travel all over the county and see for themselves any properties that may be wrongly assessed; also they have ample time to go into the different districts and consult

with the citizens regarding the capability of the assessors they may have in that district.

I think \$4.00 or \$5.00 per day for the assessors would be better than their present compensation, \$3.00 per day.

In taking away the power of appointing this Board from the Judges of the Common Pleas Court, I would give as a very good reason the judgment that has been shown by them in having on the present Board one member who is over 80 years old, another member who is 75 years old. This, in my humble opinion, is ridiculous on the face of it. It is hardly to be expected that men of that age can travel around and over this large county and see for themselves why their assessors are making this or that assessment, and qualify themselves to give better judgment when appeals are made by property owners, and see for themselves whether the assessors are making assessments too low, for it is my experience in 32 years of active real estate work in this City and county, that there are more errors and greater ones in the assessments being too low than being too high. I agree heartily with the President of the Board of Assessment and Revision of Taxes, Mr. E. Z. Smith, that it is the unequal assessment that property owners object to, that is to say, they do not relish paying on a high valuation of their property when their neighbor across the street may be assessed a low valuation.

The County Commissioners always have at least one of their three members representing the minority party on their Board, and as the County Controller and Treasurer, as well as the Commissioners, are elected by the people every three years, it behooves them to be careful in appointing the tax revision board, which, to my mind, is the most important to the people of the county.

The Judges are elected for a ten year term, and in this county are too numerous to form an effective appointing power, there being 12 of them.

I had the pleasure and honor of originating and preparing this law, creating the Board of Assessment, etc.

By Mr. Brown:

Q. Mr. Black, does that express the sentiment of the real estate brokers and agents of this city?

A. I think so.

Q. You think it would. Have you talked around among them to ascertain the consensus of opinion upon this subject, or is it your own individual opinion, based upon personal experience?

A. No, it is common talk all over this county that the Judges have made a very poor selection in appointing these two old men. I have great respect for old age, but I don't want it in public offices so important to the people as that office is.

Q. Have you a real estate brokers' or agents' association in this city?

A. No, I am sorry we have not.

Q. Has there been any concerted effort on the part of the brokers and agents to reform this present Board?

A. No, there is not.

Q. As I understand you, your only objection is that there happen to be on this Board two men you think have gone beyond the years of successful effort?

A. Yes, and the fact that the Judges appointed them when the law was created, and then reappointed them after three years' experience with them.

Q. You don't mean that you object because they reappointed them because they have had experience?

A. I object to them appointing them after three years added to that great age.

Mr. Brown: Are there any other questions?

Mr. Hunter: Mr. Black, don't you think it would be impossible for these three or four men to adjust all these troubles, and investigate the properties in question all over the county?

A. No, as I have stated in that paper, the Board has three years to make the assessment, and make changes

any time during that three years, and they have ample time to go around all over the county and see for themselves not only the properties in question, but the assessors who have gone before them, and they must see that some of them are incompetent.

Q. Don't you think that incompetency arises from the fact that their services are of a temporary character rather than continued?

A. I put the blame on the Board in having incompetent men—the Board has absolute power to select a man in any district. They are not elected by the people, these assessors, these district assessors. They are appointed by this Board.

Q. Their wages and length of service are fixed by law?

A. There are always men willing to serve.

Q. Their wages are fixed by law?

A. Yes, sir.

Q. And their length of service is fixed by law?

A. I think, as I stated in that paper, that \$4.00 or \$5.00 a day would be better than \$3.00 a day, and when I prepared this law I took that into consideration, and added 50 per cent. to what they were getting, the old assessors.

Q. In other words you think the work is of such character and importance that it would require \$5.00 men rather than \$3.00 men?

A. Yes, sir.

Vice Chairman Moyer: I understand that Mayor Magee is here, and desires to be heard with reference to certain legislation or Acts of Assembly with reference to the State Railroad Commission.

Mayor William A. Magee: Mr. Brown, one of the City Solicitors, is here, and he will address you upon that subject. He will speak for the city administration. There are one or two things that I would like to bring before the Commission in relation to local taxation. I wish to recommend that all classification of real estate be

avoided. That is to say, I favor but one kind of assessment, to assess every piece of real estate in full without regard to its character or its location. We find in making tri-annual assessment in the City of Pittsburgh this year that there was great difficulty in doing justice to people in all parts of the city. In this City we find a very great inequality in classifications. The Act of Assembly in relation to second class cities provides and designates three classes: One is called built-up, one rural, and one agricultural. I suppose the reasons for these classifications on certain kinds of property receive more or less of the municipal expenditures in the neighborhoods in which they are located, and, therefore, there should be an unequal contribution from the various pieces of property to the city expenditures. Now, I believe economically, every piece of property will find its own level, that is to say, a piece of property on Herron Hill should pay on its full value, just the same as a piece of property on Fifth avenue or Smithfield street, because that value is fixed not only because it is an inconvenient place to get to, or it is an undesirable place to live, and the purposes which it would be used for, but by reason of these very facts there must necessarily be less money expended on it than on other places more highly favored, and therefore, I think the subject will adjust itself. Then I believe that if it can be done lawfully and constitutionally, that there ought to be but one Board of Assessors in a large city and county. We have in this county a great number of assessors. We have in this county the Board of Revision of Taxes, composed of three Commissioners who are appointed by the Courts. They in turn select local assessors who are appointed for a few months in the year to make assessments. Now, the City of Pittsburgh has its own Board of Assessors, composed of nine persons. We ought to have, in my opinion, one Board of Assessors first for the county, and then for the city, boroughs, townships and all various governmental jurisdictions,

that would, no doubt, produce a just assessment upon all properties. The Board of Assessors in Pittsburgh and the Board of Revision of Taxes in the county do not operate in the same way. In the county the assessors are appointed by the Board of Revision making original assessments, and the Board of Revision is just what its name implies, it is a supervisory and an appellate body; they only sit upon the work passed upon by the general assessors; whereas, in the City of Pittsburgh, nine assessors make original assessments, so that they are both original assessors and revisionary or appellate body. Now that system works all right in Pittsburgh, I mean the plan of it; but I believe the other system is the better one, and the other system, I believe, is generally followed in most communities in the United States. Now, the county system, which is a general one, I say is open to this objection: that the assessors appointed by the Board of Revision, I believe, in many cases are not competent to do this work. I believe there are men who look upon this employment as merely for the emolument that is in it, and I believe they are men of considerable age, men who are not engaged generally in regular occupation, and perhaps have no other experience in this matter than what they have obtained in this work.

The ideal system, to my mind, would be, if possible, to have men who would know something about real estate. That is, men who have been engaged for some time in real estate business. That may not be possible in all cases. I want to say too, for the benefit of these local assessors, many of these assessors in the course of time will acquire such a knowledge of property in their locality that they do make very good assessors and assessments. I believe the proper way to make assessments is to have the original assessments made, and then allow the Board of Revision to come in and consider the subjects on appeal.

Now, another matter in relation to local taxation: I

have found since I have been in office—I am of the opinion that public utility corporations of all kinds, taxation to that extent, calls for a remedy. I believe that they ought to pay their fair share of the burden of taxation. In the City of Pittsburgh, that is to say the old City of Pittsburgh, which consists of about three-fourths of the Greater City, by reason, I think, of special Act of Assembly, the city can assess the property of railroad corporations and all public utility corporations, except the right-of-way of railroad companies, street railway companies, and on the wire, conduits, etc., pipes, mains, of other kinds of public utilities.

Now, over on the North Side, which was the old City of Allegheny, we are not authorized to assess any property belonging to and used by corporations unless it may be property that is not actually used in the conduct of the business of the corporation. A piece of vacant ground for instance, or a piece temporarily unused, I think we can assess that, but the stations and depots and shops and rolling stock of the railroad company, and street railway companies on the North Side, we cannot assess them, the Supreme Court has told us that; as to rights-of-way on the North Side and in the old City of Pittsburgh, we can assess them. I think there is ten millions worth of property probably, of corporations, in the City of Pittsburgh that is unassessable, upon the theory that these corporations today pay tax to the State. The theory upon which they pay taxes to the State—I am speaking of transportation companies—is that we cannot assess any of their business, except business that is entirely carried on in the State of Pennsylvania. Interstate commerce cannot be taxed. The result of it is that the State of Pennsylvania gets a very small tax comparatively upon business corporations of that kind. The City of Allegheny gets nothing; the City of Pittsburgh only gets a part, probably about only half, in my opinion, of what it ought to be, so that in trying to distribute the burden

of taxation of these corporations to the State and to the counties and to the cities, it seems to me that by reason of legislative construction, a corporation of this kind ought to pay what I claim is its fair share of taxation.

I am sorry to say, gentlemen, I intended to get some data on this subject; I would have liked to submit some figures to you, and to have quoted some Acts of Assembly on the points I desire to make.

By Mr. Brown:

Q. Mr. Mayor, isn't it a fact that all the railroad properties are taxable except the rights-of-way?

A. I make the distinction on the North Side nothing is taxable; in the City of Pittsburgh all property is taxable except the rights-of-way.

Q. You think the property on that side should be put on the same footing as Pittsburgh?

A. And I think all property and rights-of-way should pay a local tax.

Q. All utility corporations?

A. Yes, sir.

Q. You have no heat and power companies?

A. We have some heat and power companies.

Q. Telephone and telegraph and everything?

A. Yes, gas companies and water companies.

Q. In Philadelphia our real estate assessments are paid by the year. Do you think that system here would be a benefit?

A. I am not acquainted thoroughly with it. I think that would be the one I would recommend. I think there is in fact more need of that in Allegheny county than in Philadelphia county. The Board of Assessors in the City of Pittsburgh do their work very satisfactorily. Mr. Purdy, the head of the Tax Commission in New York, who is one of the leading authorities upon the tax subject, said that we had the cheapest form of assessment and one of the most efficient in the United States, in Pittsburgh,

so I would not ask that the Board of Tax Assessors of Pittsburgh should be revised alone; I only say they ought to get a more comprehensive plan to assess all kinds of real estate for governmental purposes. If I would discuss the City of Pittsburgh, I would say, leave it as it is, but the system of Philadelphia seems to me to be the logical one, but not necessarily the best one, maybe our system in this city is just as good as the Philadelphia system. I believe there ought to be a clear distinction drawn between the boroughs and townships of the county and the City of Pittsburgh, but I prefer a comprehensive assessment whereby everybody in the county, every piece of property in the county, will be passed upon by the same board.

Q. That would apply to the assessment of personal property as well as realty?

A. Yes, sir.

Q. Mayor, you have evidently been giving some thought to this subject, upon the idea of getting all that the Commonwealth and city is entitled to in the way of taxation. What is the sentiment of this city, as far as you have been able to learn it, as to the increasing of the list of taxable subjects. Is it the thought here that everything here that is being taxed ought to be taxed?

A. My own opinion is that automobiles should pay a tax. The license tax is practically nothing, and the method of collection of that tax, I think, is a gross injustice to the man who is honest enough to pay it. We have an Act of Assembly that prohibits municipalities from levying any tax on automobiles. The State is paid a license fee of from six to ten dollars, or eight dollars—something like that, according to the size of the machine—upon automobiles, but it does not provide any method for the collection of it. Now, of course, that tax is levied not for revenue purposes, it is merely a registration tax for identification, and it is totally inadequate to begin with, but the machinery provided for the collection of it is practically nothing, and therefore, I say, it cannot be

enforced, in my opinion. We have an Act of Assembly covering cities of the second class—that has been repealed by this Act of Assembly. We have an ordinance that has been repealed that allowed us to collect this tax. The amount was only \$13,000 a year—that much last year—a comparatively small part, I believe, of what property of that kind ought to pay, I think we collected from automobiles last year. Our police held up automobiles that did not have licenses on, and ran down cases in which licenses were not attached, and we compelled the payment of that tax. This year we got nothing. The State Highway Commissioner tells me that we at least ought to collect that tax for the State; no doubt, theoretically speaking, he may be absolutely correct. There would be comparatively little interest in the office on this subject, because the revenue does not come to the City of Pittsburgh, his employer, but would go to the State. And officers of the law are men like anyone else, they are going to work for their employer, and I am of the opinion that there is being comparatively little of that tax paid under compulsion. The force is not behind the power to do the work.

Q. Is it the thought of the people of this city that moneys at interest should be taxed?

A. I have not heard much discussion of that, Mr. Brown, but my opinion is that most money at interest pays tax on it.

Q. You speak about taxing these public utility corporations. Have you in mind to what extent the taxes should be?

A. I think rights-of-way should be appraised and assessed the same as any real estate. I believe rolling stock of railways should be taxed the same as real estate, and everything else. I believe that they receive the benefit of the expenditure of public moneys.

Q. Would you have that done locally, or take a railroad like the Pennsylvania Railroad—would that be done locally?

A. Each county should be paid it.

Q. I suppose it would be certified by the County Commissioners to Harrisburg, and collected for the whole county?

A. No, no, sir—the County Treasurer—I think that might be done. Let it be distributed to the various municipalities.

Q. The thought was expressed by railroad officials here that there were too many to account to, that it involved a separate department for paying taxes.

A. I believe it would work to their benefit. I forgot to mention that I found out that the burden of school taxes in certain localities is much more than those localities can bear, especially in Allegheny county. We have about five or six boroughs in the City of Pittsburgh that have been annexed, after becoming insolvent. The Borough of Sheridan last year had a tax assessment of thirty-nine mills, which was 39.10 per cent. of the value of the property. A very small part of that went to pay expenses of the City of Pittsburgh. About thirteen mills went to pay interest on the sinking fund and obligations of the old borough indebtedness, while thirteen mills of that went to pay school tax, and eight mills went to the expenses of the City of Pittsburgh. This is about—I am not sure exactly of my figures, but I know the total was thirty-nine mills. Now, Esplan, Montooth, Elliott, West Liberty—those four boroughs all came in in about the same shape as Sheridan. The difficulty in these places is that the taxable property and real estate runs from about \$600,000 in the lowest case, to \$3,000,000 in the highest case. Now the school tax upon these places is so enormous by reason of extravagant or improper management of their affairs, that they are so burdened now that the growth of these communities is absolutely stopped, and I think will be until these old debts of the old boroughs are wiped out; Mr. Morrow and I devised a plan to reduce the old floating indebtedness, and we made

a material reduction in their taxation. None of the boroughs will pay as much as thirty mills, we have reduced them from 20 to 30 per cent. each by cutting down the old borough obligations; the tax levy has been cut down for these purposes one-half to two-thirds, making a reduction of 20, 25 or 30 per cent. in all these cases. I say there ought to be a general school tax for all these purposes. Property down town here pays one-fourth, one-half and three-quarters of a mill, that is to say, five cents on a hundred dollars. There are comparatively few children in these localities, and the burdens of school tax do not fall upon that class of property. The burdens of education in the State should be put upon all property generally.

Q. That is in one county, for instance?

A. I would say in certain jurisdictions—yes, a whole county or a whole community. There is another thing—

Q. Mayor, that is what the school code in the last Legislature attempted to accomplish.

A. Now, Pennsylvania is strictly a manufacturing State. The City of Pittsburgh is peculiarly situated. With all our natural resources here, we do not have the amount of manufactures that we really ought to have and should have. It is partly due because, manufacturers tell me, certain class of workmen do not want to live in the locality of Pittsburgh. There are some other reasons too, but the objection I hear more than anything else is our taxes. Competitive communities which are near Pittsburgh, such as West Virginia, Ohio, and Indiana, appeal more strongly to new manufacturing enterprises, because of their methods of taxation. Out in Indiana about twenty years ago owners of land out there started a policy of giving free taxation of land, free fuel in some cases, to induce manufacturers to locate there. We haven't anything of that kind here. It would have some effect upon manufacturing enterprises. Down in Ohio there is a large number of thriving cities which were no size at all a few years ago, that have been getting all the small

new manufacturing plants. There is very little development for a number of reasons, one reason is that of our taxes. I have no recommendations to make upon the subject, but there ought to be no classification at all. I believe the State ought to favor manufacturing corporations. I will make that one exception to what I said before. I think there is one kind of property that ought to be given encouragement not only to locate here but remain here. It is a very serious problem to Pittsburgh how it can maintain its supremacy in manufacturing.

Q. Then you would do that not as against but in comparison with public utility corporations, which you have spoken of?

A. I don't believe they need encouragement.

Vice Chairman Moyer: I would suggest that the Mayor file a brief, because that would be of valuable service.

By Mr. Brown:

Q. Do you think other classes of real estate represented in the City of Pittsburgh would be willing to have this preference, which you say should be shown?

A. I believe the enlightened people would strongly support that.

Q. In Philadelphia we are compelled to tax all real estate and property, except that which is exempt from real estate taxation.

A. At least during the past year, we have strictly followed the duties of assessors as laid down in the Act so plain, and we undoubtedly have made mistakes about things. We have not attempted to do this here, which we think ought to be done by law.

Q. We have received numerous letters from all over the Commonwealth, suggesting that manufacturing corporations ought to pay additional tax—in other words, that the Act of 1885 should be removed?

A. That would ruin us.

Q. I was asking some manufacturers about that this

morning. I think the manufacturers of this city, this city being distinctly a manufacturing city, that the manufacturers here ought to bestir themselves and present their views to this Commission, so that the matter may be thoroughly exhausted.

A. I think it ought to be done in the interest of the people and in the interest of the manufacturing corporations.

Samuel W. Black: After hearing the Mayor I heartily agree with him, but I think a Board of Assessors would be better for the city and county—one board—and I would like to make just one suggestion, that instead of the Treasurer of the county being on that board, to appoint the Board of Assessors, that the Mayor be substituted in place of the Treasurer—the Mayor of the city be substituted in place of the County Treasurer.

By Mr. Brown:

Q. Who appoints your local Board of City Assessors?

Mr. Hunter: The Mayor appoints the City Board, the Court appoints the County Board.

Mr. Black: Now, there is no reason, in my mind, why one Board of Assessors should not make the assessment for the city as well as the county.

Mr. Moyer: That is the way we do in Philadelphia. We have one board there.

Mr. Black: I would like to add that to my paper.

Mr. Moyer: That will be made part of the record.

DR. MAITLAND ALEXANDER, representing the
Allegheny General Hospital:

Mr. Chairman, I do not know that I have anything very definite to suggest. I was asked by the Board to appear and present the Board's views concerning the present system that State money is turned over to semi-charitable institutions, like the Allegheny General, and I think we find from our experience that there ought to be only three questions which would be involved in the granting of that money by the State: first, the amount of work, charitable work done; and secondly, the way in which the fund is administered to get the greatest amount of efficiency from it; and thirdly, the locality in which the hospital stands, in relation to the cost of its maintenance. I think that would sum it up. I think this lies at the very basis of the whole thing.

By Mr. Brown:

Q. Doctor, you have ten or twelve hospitals in the City of Pittsburgh?

A. Yes, sir.

Q. Do you think that the public welfare would be as well served by the consolidation of some of these hospitals?

A. I think, Mr. Brown, that hospitals ought to be placed according to geographical need.

Q. Well, in these days of automobile ambulances and such facilities for the quick movement of patients, don't you think there could be a less number and still the efficiency not be seriously crippled?

A. Are you talking about this city?

Q. Yes.

A. No, sir, I don't think so in this city.

Q. How many vacant beds have you in the hospitals of this city?

A. I don't know.

Q. Suppose I would tell you that there were five thousand vacant beds in the hospitals of this State, would that lead you to believe that there might be some consolidation?

A. Yes, sir, I believe so.

Q. All of you operate practically on the same plan—non-sectarian—those that receive State money?

A. I don't know all that, Mr. Brown, whether they are or not. I cannot say.

Q. Do you think money ought to be appropriated by the State constructive work?

A. I would say it depended very largely upon the situation of the hospital and the resources behind it.

Q. Take a city like Pittsburgh?

A. In some cases, yes, I do.

Q. Do you think the public welfare cannot be as well served?

A. You are talking about new hospitals now?

Q. Yes, constructive work, now hospitals?

A. If you are speaking about new hospitals, I would say yes, I think we have enough; if you are speaking about improvements, I would say we ought to have some State aid for it.

By Vice-Chairman Moyer:

Q. Do you believe, doctor—do you believe that the present system of appropriating our State money is an efficient one?

A. About as efficient as can be gotten.

By Mr. Brown:

Q. What proportion of money have you collected from private sources as compared with money received from the State in the last five years—say the last two years?

A. In the fiscal year just closed we received \$82,236; we raised for our maintenance the same amount within just a very few dollars, and raised outside that something like \$36,000 for new work?

Q. Suppose you had not received this \$82,000, what would have been the result?

A. Shut down on the charity patients.

Q. Do you make any distinction between charity and paid patients?

A. No, sir.

Q. What is your endowment fund, doctor?

A. Twenty thousand dollars.

Colonel Albert J. Logan, representing the West Penn Hospital: Mr. Brown, what is it you want from me?

Mr. Brown: Colonel Logan, you heard the questions asked of Dr. Alexander.

Col. Logan: I would like you to repeat them.

By Mr. Brown:

Q. Of course, you have no doubt the State of Pennsylvania should appropriate money to institutions under her control?

A. I believe that the State should appropriate money to such institutions as the West Penn and other hospitals, which assists in taking care of the unfortunate wards of the State. I believe the State could get very good results by doing so. I believe the best system—in my opinion, the best results—could be obtained by the maintenance of an appropriation based on the number of charity patients that has been taken by the hospitals during a period—per capita basis.

Q. Has the receipt of State money tended to diminish your private contributions?

A. No, sir, I don't think so—I don't think it has in our hospital. The West Penn Hospital has been receiving about \$5,000 a month or \$60,000 a year for the past three, or

four, of five years, and I believe our expenses run along about \$12,000. The difference is made up by the receipt from our endowment, or from the paid patients and contributions.

Q. How many vacant beds does your hospital average during the year?

A. Well, I can't tell you on an average. We probably now have very few, probably in the neighborhood of twenty a day.

Q. Does that condition exist so far as you know in other hospitals in this city?

A. I cannot answer that. The use of beds in the hospital varies much according to the condition of health in the community. A few years ago when the typhoid fever was so bad here we were overcrowded. Sometimes running down, probably not over 60 per cent. of the beds being occupied—65 per cent. along in there—and then, of course, it changes in course of time. You made some reference, I believe, to Dr. Alexander about the consolidation of hospitals.

Q. That is the sentiment of Philadelphia. A good many hospitals are there, and it was thought some could be consolidated without detracting from the public welfare.

A. I believe my opinion is—to a limited extent—that might be done.

By Mr. Woodward:

Q. Would not joint administration lessen the cost of maintaining these patients in these institutions?

A. It depends upon the size of the hospital. I think you can get a hospital too big for management, and it cannot be properly taken care of. After you reach a certain size it goes beyond the power of a man, and after awhile it comes down to where a man who is on the ground all the time cannot take care of these institutions, and it goes beyond his reach if it is too large. I believe there is a large number of small hospitals throughout the State, that it costs too

much to maintain the number of patients they have. I believe the doctor's suggestion that the cost of maintenance can be reduced in that way, and I believe a fair-sized hospital is most economical to run. We have the West Penn Hospital, and our cost of maintenance is about \$1.80 per day per head, although this present month we have struck our lowest mark, \$1.57, the lowest we have had since my connection with the hospital. I wish to say, Mr. Brown, that if the system can be established by which a proper check can be made by putting on all these institutions a check on the patients they are taking care of, that the fair way for all is to pay on a per capita basis. I am not much in favor of the State furnishing the buildings and furnishing the maintenance and having private individuals run it, so when we get away from that basis, and that plan will work out, I believe we would get better results of either one—have either one or the other furnish the building, and in my plan the State would pay the board of the patients that are sent in there that needs to be paid for, and it would remove the much-talked-of—and I don't believe much in the idea that so many are turned away from the hospitals in the city—worthy cases—but it would certainly—this would be an incentive to take that case—it would have an assurance that it would be more likely to take care of the case.

By Vice-Chairman Moyer :

Q. Do you believe the State should appropriate money to private institutions for permanent improvements and buildings?

A. No, sir. I think that that system has been in vogue and has done some good, but it seems to me that the State should have an equity for whatever the State puts up money for. Now, whether that equity can be brought together in a satisfactory way to the State is a question in my mind. That is why I suggest the idea that private institutions furnish their own equipment and buildings, there would be better results arrived at.

Q. Then your views are that the State should not appropriate money to private institutions over which it has no control for permanent improvements?

A. Yes, sir.

Q. But the State should appropriate such money for maintenance only and on a per capita basis?

A. Yes. I want to say, however, that since the State has established this system of building up hospitals and appropriating money for equipment, that it would be very unjust and injurious to the institutions now in existence if the State would suddenly chop off that system. If my plan is adopted it ought to be arrived at at some gradual basis, and not have the result of closing up some of the well-established institutions.

By Mr. Brown:

Q. Suppose that the State cannot appropriate to the City of Pittsburgh all the money needed by your several institutions, don't you suppose you could get together and decide to drop out some of them without detracting from the public welfare. There are 12 hospitals in the City of Pittsburgh, each receiving State aid. Now, assuming it is impracticable for the State to appropriate moneys which you all have asked, and which it is presumed you need, but is able to contribute toward six or seven, being a less sum in the aggregate than that demanded by 10 or 12, do you think it is possible for your hospitals to get together and lessen your number, say to six?

A. I don't believe it is. I don't see how you could do that very well. The hospitals are located throughout the city, and I think wisely so, to have them located geographically in Pittsburgh. Now we have certain hospitals in the lower part of the North Side, the Allegheny General in the center, and then out this district the West Penn, in the Penn avenue district the St. Francis, and on out further the Pittsburgh Hospital, on the other side the Mercy, and on the other side of the river the South Side Hospital. It

is hard to get about here, so that I believe that that would hardly apply in Pittsburgh. Furthermore, I don't think that so far as hospitals are actually concerned that we are very much overbuilt in regard to numbers in the City of Pittsburgh. The capacity in our hospital—I think we have quite a sufficiency for the time, but there are no new hospitals that I know of projected now to begin, and with our growing community I do not think there will be much opportunity to consolidate the places in Pittsburgh. Now, if the per capita basis were used it would enable you to know about the time each hospital would get its share of what the State would appropriate, and then, of course, it would be time to take care of the deficiency on that account.

MR. GEORGE B. LOGAN, representing the Presbyterian Hospital, North Side, Pittsburgh.

By Mr. Brown:

Q. You think, of course, that the State should appropriate money to such hospitals as yours?

A. Yes, sir, for both building purposes and maintenance. The State has given us money to finish about one-third, possibly more than that, but we shall need more money than can be raised among the citizens here.

Q. Why is it that these moneys cannot be raised in a community like this. These hospitals that take care of the helpless sick, why is it in a city like this more money cannot be raised from the people?

A. The people of Pittsburgh are called on for all kinds of charity, and people seem to flock to Pittsburgh whenever they want any money, and I think they find the people here as liberal as anywhere.

Q. You say you can't—what effort is made?

A. Go among the people and solicit it.

Q. What answer do they give?

A. That they give to this, and give to that, and haven't anything left.

Q. Do you think equally good results could be obtained by consolidation?

A. No, I do not.

Q. What is the nearest hospital to yours?

A. The Allegheny General is about a quarter of a mile.

Q. About three squares here?

A. Four.

Q. Is there any reason why your hospital or the other could not fulfill all needs in that locality?

A. It could if made large enough.

Q. A larger hospital would be better able to take care of the sick?

A. Yes, sir.

Q. Do any of your hospitals here have tubercular wards?

A. No, sir.

Q. Why not?

A. I don't know.

Q. They have made no effort to take care of tuberculosis?

A. I can't answer for all the hospitals.

Q. Is there any reason so far as you know?

A. There is a special hospital here. I listened yesterday to one of the men here—you have got to pay money out before you get money from the State to pay your debts. It is a great inconvenience to the trustees who have to go into a bank and give their own personal endorsement before they can get money to pay their bills.

By Mr. Woodward:

Q. It is an expensive proposition, too?

A. Yes, and I don't see why the Auditor could not pay some of it.

By Mr. Brown:

Q. Mr. Logan, from communications we have received, there seems to be a general sentiment that there is too much money given by the State to these institutions.

A. I agree with what Colonel Logan said about the per capita basis.

Q. Have you ever considered the amount of money that should be appropriated to treat tubercular patients?

A. We have no facilities for such, we have no room in our institution.

By Mr. Hunter:

Q. Very few of them have.

A. Very few. In Pittsburgh there is an institution especially for it.

By Mr. Brown :

Q. Dr. Flick testified that there was no reason why all hospitals should not have special wards to treat tubercular patients, or did not see any reason for it.

By Mr. Moyer :

Q. Mr. Logan, you spoke a moment ago about having some unfinished buildings. Do you believe it is the State's duty to give you some money to finish them, or do you think it is the State's first duty to take care of its own unfinished insane asylums and other buildings, for the care of the wards, generally called the unfortunate wards of the Commonwealth. Don't you think it is the first duty of the Commonwealth to take care of its own?

A. Do you mean a purely State institution?

Q. Yes, one under State control exclusively.

A. I think in regard to our institution, the State having begun to help us, and having only half of the institution finished, it would be bad faith if they did not help us finish it.

Q. What obligation rests upon the State, only good will?

A. Just the fact that they have led us to believe that we could get State aid. For instance, last year the Legislature appropriated for building purposes \$60,000, and the Governor had to cut down all appropriations, and he cut it in half, and we only got \$30,000 instead of \$60,000.

By Mr. Hunter :

Q. Mr. Logan, I believe you are a trustee of the Associated Charities here?

A. Yes, sir.

Q. I am of the opinion that we should hear a few words on that subject, and tell us the plan of your work and the purpose of it.

A. The Associated Charities is a sort of clearing house through which the charities come together and try to do their work to the best advantage.

By Mr. Woodward:

Q. The object is to see that these places are not abusing their privileges?

A. Each institution and each association work in connection with each other, and their work lies in one direction, rather than cross purposes. I think it is an excellent thing when we get it going here.

MR. FRANCIS J. TORRENCE, representing the State
Board of Charities:

I came here to listen rather than to make any speech on the subject. But to begin with, on the question of State appropriations for maintenance, we have very pronounced views, as set forth in our report to the Legislature. I will read an extract from that report, as follows:

“Under the item ‘Homes’ our recommendations show a decrease from that of the previous session of the Legislature. While the appropriation of public funds to private and semi-private charities is an interesting question, it should be borne in mind that these institutions relieve suffering humanity and that they represent the true spirit of charity, and further, that they directly or indirectly relieve the State’s institutions. The questions of the State’s contributions to homes and hospitals (other than State institutions) for the treatment of patients or inmates is an important one, and one to which this Board has given earnest consideration. We have endeavored to formulate some plan by which such cases might be treated in private institutions on a per capita basis for free patients or inmates cared for, or for a free bed capacity, but, so far, we have been unable to find any arbitrary or fixed rule that would work fairly and equitably in all cases. The ideal condition, or plan, would be something similar to that by which the insane, deaf and dumb, or the blind are now being considered, but, as the circumstances and conditions of each institution are so different, we have taken up each one separately, and made the recommendations accordingly, taking into consideration all the conditions entering into a proper examination of each institution.”

Now, that is my view as expressed and approved by the

Board of Public Charities in their message sent to the Legislature two years ago, and on which, as far as we know, we have not changed our views. The grave question of that is the abuse of State moneys in these institutions as well as in other institutions, and the tendency to abuse the use of State moneys. On the question of State appropriations to these institutions, Mr. Brown, that is a grave proposition. It has become a custom because it was begun in that way, particularly in late years we have recommended in making our recommendations to the Legislature that the State's appropriation would be safeguarded in that a reversionary provision should be made to care for money given out of the State Treasury for these private institutions, in which title is vested in a Board of Trustees.

Now as to a question which you asked this morning, in which I was very much interested, Mr. Brown, we have very pronounced views as to taking care of the insane patients, as parents should take care of children; and we have set that forth in our annual message to each session of the Legislature, requesting or rather suggesting as follows: "Institutions owned and controlled by the State, and Dixmont Hospital." We make this provision for Dixmont in that the property there is not vested in the State, but is regarded as a State boarding house, used by us in taking care of insane wards. Our second consideration is for "institutions for dependent and delinquent classes, recognized as wards of the State, but owned and conducted by private corporations." Third, "private charities of all other kinds."

Now, my views on the subject generally are those that I have expressed in my messages and letters to the Legislature and to the Governor. I would be very glad to answer any questions.

By Vice-Chairman Moyer:

Q. Mr. Torrance, what do you think of appropriating

money to private institutions for permanent improvements?

A. Where it can be safeguarded or reversionary—that would be in the shape of a benefit.

By Mr. Woodward:

Q. There is such a provision in all of the Acts passed at the 1909 session?

A. Yes, sir.

By Mr. Brown:

Q. Mr. Torrance, what supervision does your Board make as to the use of the moneys the State appropriates? How do you know whether they are expended properly or not?

A. Well, in such Acts as provide for supervision, such as special Acts which provide for supervision by the Board of Charities, or its secretary, the only knowledge we have is that which we may obtain under the Fifth Section of the Act of 1869, which gives the Board power to investigate the conduct of the institution.

Q. I am familiar with the legislation upon that subject, but I want to know what you really do?

A. We have a general agent and commissioners.

Q. What has been your experience as to the expenditure of public money; in other words, do you think money has been used to special advantage by public institutions?

A. My own experience has been, I find very little misuse of it, I would say none, but some will be through the lack of proper knowledge on the part of the trustees or superintendents of institutions where money might have been saved by the use of other materials or different methods in construction.

Q. Does your Board make any comparison of prices paid by these different institutions? Do you ascertain from these institutions in the different localities how much they pay for a barrel of flour?

A. Yes, we have. These institutions come before us with

reference to money required and we can compare their expenditures per capita, for the service rendered with other institutions under similar conditions; that is, in the same neighborhood. When it shows that the per capita of maintenance of one institution is greater, we begin to analyze the cause of that, putting, as it were, the superintendent or representative on the witness stand, to make good their statements as to the cost of maintenance. Then we depend pretty largely on the Auditor General's office or the Traveling Auditor for the information which we obtain from time to time.

Q. Have you made any investigation as to the cost of table articles used by certain institutions?

A. No, not in a general way; but in a specific way, wherever the question arose as to the cost of maintenance.

Q. Do you think it would be advisable for the State to have a central purchasing body—do you think with reference to that, that a central purchasing body could or could not purchase supplies more cheaply and then distribute them by requisition to the different hospitals of the Commonwealth?

A. That might apply—that is quite possible as to clothing and bed linen, table linen and articles of that kind.

Q. Flour, sugar, salt?

A. I would say as to food products and articles of that kind for general consumption, that question has been before our Board and the question then arose as to possible loss by shrinkage and things of that kind, which led us to drop all recommendations of that kind. But as to the other, there is a possibility there. There is also in this question the local interests as against it. Where it is possible to have the provisions supplied in the community in which the institution is located, we believe it is best on the theory that they get more or less local help by this practice.

Q. That is, private contributions?

A. Yes. That money as far as possible, all things being equal, should again return to the people who have contributed it.

By Mr. Hunter:

Q. Do you find that there is any loss to institutions receiving State aid in the matter of collections?

A. Mr. Hunter, we have that in nearly all occasions. We are in a mill district, a man comes in with the intention of staying a couple of weeks and he pays ten, twelve, or fourteen dollars, and he stays three, four, five or possibly six weeks. Now, we have that man's account on our books, and we are doing the best we can to collect it, that is about as good an answer as I can give.

Q. In consequence of the aid rendered by the State, in providing better hospital conditions throughout the State, and many of which are incomplete, do you consider the State under any moral obligation to these institutions?

A. No, I don't, Mr. Hunter, I think that theory has been rather abused, and with reference to the question which Mr. Brown put to one of the previous representatives as to whether we had too many hospitals in most every community, with reference to the City of Pittsburgh as the city now exists we have 2,200 beds. We have about 1,200 of these in the hospitals occupied, that would be 55 to 60 per cent. Since that report was made to me and tabulated there has been a number of institutions finished, and there is a number on the way. Now, we all agree that when you are running an institution of any kind to its fullest capacity and under the supervision of proper management, you are running it most economically. We all know that an institution built and provided to take care of, say three hundred patients, is going to lose money when it is using only half of its capacity. Now, if a hospital is erected in a community where there is an institution provided with three hundred beds, and prepared to take care of

three hundred people, it is just the same as any other occupation, creating competition, and the Board of Charities has endeavored to prevent that duplication of institutions.

By Mr. Woodward :

Q. Don't you find that a number of the new hospitals, especially in the smaller communities, are organized and brought about through quarrels among physicians?

A. No doubt about that.

Q. Then the State is asked to assist them in maintaining two institutions where one would suffice?

A. Yes, sir.

By Mr. Brown :

Q. Then why don't your Board say so and stop that?

A. I can show you a number of applications that this Board turned down, and yet they got the money.

Q. You say they got it?

A. Yes, we disapproved of their application because we didn't believe that the institution was necessary in that community, or that the hospital was not needed at all, and could be taken care of otherwise.

Q. Is there any reason, in your opinion, why certain hospitals could not be consolidated?

A. I don't know that there should be any reason why they should not do it.

Q. If it withheld appropriations under your report, they would probably consolidate, anyhow?

A. I think they would. We have endeavored to enable institutions to do this. Now, the same condition exists in the homes, while on the subject. We have in this neighborhood—not just in the immediate city, but in this district—five, I think, institutions for the care of unfortunate girls and women, and I believe that they could be properly cared for in three institutions. Now, in that work I tried to get, myself, the institutions in this neighborhood to unite or consolidate. I would not say

I would put them all in one, but I think two or three at the outside would be able to do the work.

By Mr. Moyer:

Q. Mr. Torrence, what would you say as to recommending to the Legislature something like that—have a paid Board of Charities of sufficient compensation to devote their time entirely to this proposition, increasing their powers so as to supervise these institutions, inasmuch as the State has been spending money for their maintenance and the upkeep of their buildings?

A. That would be a very delicate question for me.

Q. Assuming that the present body would be wiped out of existence?

A. Well, then, it would be a department of the State, the same as any other department of the Commonwealth Government. The question would then arise as to the cost of it as compared with the present method. As it is now, the administration of charity, under the law of '69, is comparatively inexpensive. It would, I think——

Q. And comparatively ineffective also?

A. Yes, ineffective in this way, that we haven't the mandatory or compulsory powers to enforce.

Q. You are shorn of your power?

A. Yes. Going back a few years, sixty years for that matter, in 1850, when the Board of Charities was organized, there were some institutions having expenditures of \$134,000. In the last biennial period there were 256 institutions receiving State aid under the jurisdiction of the Board of Charities. They received in the two years, from time to time, \$722,000. Aside from that there were about 200 institutions, such as orphan asylums and homes for girls, which receive no appropriation, but still come under the same supervision. It is only two years since the Legislature gave the two assistants which I asked for in previous years, and they have done a great deal——

Q. How many institutions are there receiving State aid?

A. Two hundred and fifty-six.

Q. Two hundred and fifty-six, that is allowing a couple of days to each one?

A. Yes, sir.

By Mr. Hunter:

Q. How many not receiving State aid?

A. Possibly 200.

By Mr. Woodward:

Q. Would you think more agents would better the service?

A. There is no doubt of that.

By Mr. Brown:

Q. What direct influence have these assistants had?

A. Very largely in the manner in which the books were kept. We have had a great deal of trouble of getting reports from the smaller institutions.

Q. Has it resulted in any economy at all?

A. I think it has. It has pointed out dangerous conditions in smaller institutions, county homes, etc., where there was not proper protection against fire, and where there was not proper protection against elevator accidents, and things of that kind.

By Mr. Moyer:

Q. Notwithstanding the fact, Mr. Torrance, of your recommendations, the Legislature would do just exactly as it pleases regarding the matter. Your body can only recommend?

A. Yes, sir, that they have done. Now, while on the subject, there is, I think, another recommendation to the Legislature, being two bills I had introduced, one for the removal of the penitentiary, and another for the removal of the Western Penitentiary, of its reconstruction,

which would be of economical character, but worthy of this Commission's consideration. I also entered another bill, and that was for the establishment of workhouses through the counties similar to the one we have here. It is a sort of a boarding house for the criminal class of several counties under a specific Act. Instead of sending the offenders to the local jail or penitentiary, they have been sent here, and the institution, to a certain extent, is self-sustaining. Now, my recommendation was that the counties might have an institution similar to that of the Allegheny county workhouse, and let the counties, I think, if not able to contribute to the building at all, let them agree by proper legislation to pay so much for the board of their prisoners.

By Mr. Woodward:

Q. That is for short-term prisoners?

A. Yes, and in that way it would relieve the State of what I think will be quite necessary within the next decade, and that is building one additional penitentiary, or building an addition to the present penitentiaries.

By Mr. Hunter:

Q. Do you think our present Western Penitentiary is well located?

A. Every high river we have we get in there, necessitating the removal of the machinery from the lower story of the building. Another thing that is a recommendation for this plan is the very satisfactory result we have had in Allegheny county. The same allowance is made for the board of their insane, and have a proviso that they would have an equipment and treatment equal to that in the State institutions at Dixmont, Harrisburg, Norristown, and Warren, and that has induced the counties to put up a better class of county homes, and that has resulted also in taking care of a very considerable percentage of our insane. Our insane population of the State is about fifteen thousand at the present time, and we have not sufficient capacity for them.

By Mr. Brown:

Q. How many are we caring for?

A. We have an insane population in the institutions of fifteen thousand.

Q. How many outside the State institutions are being cared for?

A. From what I can gather, Mr. Brown, there is possibly 20 or 25 per cent. outside. Mr. Boyle thinks the population is not so large, possibly not more than 10 per cent. not being cared for. But that does not alter the fact, that they are supposed to be cared for. Dixmont was to take care of five hundred patients and already has a population of six hundred. They had at the last time I was there about nine hundred, now if you crowd nine hundred people to where five hundred were intended you are doing a detriment to the people who are in that institution.

Q. You believe that the State should finish State institutions before appropriating to private institutions?

A. Yes, sir. We have \$13,000 invested at Allentown, and it isn't of any use to us until it is finished. Now what I say to you of Dixmont is true almost to the same extent of the other five hospitals, that is, Norristown, Warren, Harrisburg, Danville and Wernersville.

By Mr. Woodward:

Q. While you are speaking of Dixmont institution, a couple of years ago I was on the Commission investigating the insane, and we suggested to that institution that they ask for money to relieve their crowded condition there, and they informed the Commission that they did not want any more State patients; that they intended to cut loose from the State, and have Dixmont become a private institution, and since then, I understand, they have decided not to do that.

A. Since that time, Mr. Woodward, Dixmont has separated from the West Penn Hospital, and has its own charter and is a corporation.

Q. Do you know if they are willing to build up yet?

A. Yes, sir, I think they are.

By Mr. Brown:

Q. Mr. Torrence, have you folks made any calculation as to what it would cost to finish the institutions now under construction—about how much?

A. Well, I would hardly attempt to say. There is Allentown, Spring City and Fairview (?). I suppose it would take a million and a half or two millions.

Q. For the present institutions?

A. Yes, sir.

Q. How much would it cost to build institutions to properly care for the insane that are uncared for by these institutions?

A. That would only be a guess on my part. We are sadly in need of more institutions. I have brought here with me Mr. Boyle, who is familiar with these lunacy questions. On the whole I think the State will rank with any of the other Commonwealths in the care of its charities.

Q. Is the Board of Charities prepared to recommend that the State shall not give any more money to those institutions which are not under her control?

A. That is the policy of the Board.

Q. What would become of all these private institutions?

A. That would be a very sad thing for them, and for the community if they are essential.

Q. Do you think from your experience that they would be able to provide for them locally?

A. Some of them would.

Q. How about the general welfare of the community?

A. I think it would be bad.

Q. Which would be the worst now, to allow those people to go uncared for, or to go on and appropriate money to these institutions and have it used that way?

A. There is not only the economical question to be considered there, but the question of the welfare of the State that arises, and it would be pretty hard for anyone to say.

Q. Which would result in the greatest good to the greatest number?

A. Here is a class of people, some are and some are not citizens, there are criminals, and the insane wards and other people being cared for, sick, crippled, injured, etc. Now, we believe in the doctrine of the submerged tenth, we had better take care of our own people. That is a pretty hard question to answer.

Q. Well, I suppose those in prison would rather be abandoned?

A. I suppose they would. If you would go into an institution such as we have in this State, and find them at night sleeping on the floors, and you will be almost unable to walk through the corridors for fear of tramping on them, you will realize what necessity there is for the care of them.

Q. Well, it certainly has gotten to be a critical situation from my point of view, and that is the reason we are trying to see if there is not some way to help them?

A. Of course, there is this, that the institutions are further advanced than they were three or four years ago, and it won't be so hard in the future, in my mind, if the Board of Charities should not be continued, and there is not this duplication of which we in our judgment and experience believe to be impossible in these private charities. Then if this is adopted, there will be plenty of revenue without any burden on the taxpayer for these institutions.

PATRICK C. BOYLE, of the Board of Charities:

Mr. Torrance has told you that we have made the endorsement which would require that there be built another institution for the care of the insane. Mr. Torrance has just spoken to you that Allentown has been in process of construction for almost ten years—seven or eight years. That they have very few people there, and it will be some years before they can take care of the number cared for in either of the other five institutions. At the other five institutions there is an overcrowding fully exceeding 50 per cent. of their capacity. That means that we need at the present time two whole institutions to take care of the overflow.

By Mr. Brown:

Q. And Allentown could have been finished in two years, or four years at the outside?

A. If sufficient money had been appropriated.

By Mr. Woodward:

Q. Do you find that patients are as well taken care of in the county institutions as they are in State institutions?

A. In most of the counties they are better taken care of. Woodville stands at the top, and is in excellent condition. And if the chronic insane were taken out of the State institutions and put in the county homes there would be an instant relief from the pressure. The State would pay \$2.00 per week to the counties for the care and maintenance of the chronic insane.

Q. The people whom you think should be placed in the county home, and not in insane asylums, they are helpless but not violent?

A. Yes, sir, absolutely so. Take the case of the insane asylums and the State hospitals, those that we have now

would be sufficient for many years to come if the counties would do their share of the work, but, unfortunately, many of them are not able.

Q. The theory being that the counties should take care of their own?

A. Yes.

By Mr. Hunter:

Q. Mr. Boyle, wouldn't it be a good idea for the counties to club together for the purpose of this kind, as stated by Mr. Torrance?

A. Oh, yes, it would be a grand thing, and for the adjoining counties.

Q. That is, to properly care for them?

A. Oh, yes. Now Hollidaysburg, Blair county, is in position to do that. They have a proposition, I think, from one or two counties. Clearfield wanted to send their chronic insane over there to the insane department of that county. That is one instance where it might be done. They are doing that in some of the Western States.

By Mr. Moyer:

Q. They are doing that in New York also. In recent years in the State Legislature there has been considerable effort put forward to have the public school system supported entirely by the Commonwealth. The chief objection to that is that it takes away responsibility from the counties, and that the school would not be as satisfactory as it is to-day?

A. It might not be as satisfactory.

Mr. Woodward: Mr. Torrance, as a result of these charities, what would you think of an Act that would provide against any institution receiving State aid unless they were organized specially by the State?

Mr. Torrance: I would think very well of it.

Mr. Woodward: Provide for the incorporation of such institutions by special Act?

Mr. Torrance: Yes?

Mr. Woodward: You couldn't incorporate them very well by special Act?

Mr. Torrance: It would be for State and educational purposes.

Mr. Boyle: I will submit a brief to the Commission.

EUSTACE S. MORROW, Controller of the City of
Pittsburgh:

I say that I can only endorse what the Mayor has said, with some emphasis. I don't believe in wiping out entirely all classifications, because I think an evil would be worked, but I believe in a modified classification of real estate in a city like Pittsburgh, and possibly Philadelphia. I want to say, too, that an injury has been done by the passage of the Automobile Act. We license vehicles. There is quite a complaint that automobiles go free when they have to pay a tax.

By Mr. Brown:

Q. Why don't your city authorities tax them? You have under your police power the right to put a tax on them, and it does not interfere with the State authorities at all?

A. We had an ordinance, but the Attorney General held that the ordinance of 1909 wiped out the right of the city to levy any license.

Q. On automobiles?

A. Yes. There is one more thing I would like to say, I mean in relation to State tax. I think it is wrong for the State to tax municipal bonds. A municipality is the child of the State, and I think the State might leave the municipality go free.

Q. You don't have any trouble in floating your bonds?

A. Oh, no, our credit is good, but still we have complaint when making taxation.

Q. Your bonds are all issued tax free?

A. No. Oh, no, no, no. We find a ready market in the East for our bonds. I want to say I fully endorse what Mayor Magee has said regarding manufacturing interests. You take manufacturing interests out of the city——

Q. Why do they go out of Pittsburgh?

A. Our expenses are very heavy, and our tax rate may be very heavy. If the State would give us the power to modify the tax on manufacturing corporations—take Jones & Laughlin's interests on both sides of the river—great, large mills—why, they would have to get out of town if we taxed them to the full value of the ground.

Q. That is the disadvantage of being in a city?

A. There is no disadvantage to being in the city.

Q. Does not that condition exist all over the county?

A. That is true, but still we want to keep the manufacturing interests.

Q. Are there any other features of our present laws that you can think of that ought to be amended?

A. I can't think of anything now.

Q. Your city gets three-fourths of the personal property tax?

A. Oh, no, the county does—I don't know anything about the county. I don't know how much they get. We have no personal tax, but business tax.

PETER WITT, of Cleveland, Ohio.

I came to deliver a lecture here last night, and my friend, George, asked me if I wouldn't come over here and give you my views of the Ohio laws that you may steer away from the mistakes made in the State of Ohio. Of course, the question of taxation has never been reduced to a scientific basis and, of course, we do not have the ideal one, either. When you talk of personal property taxation here, it means something entirely different to me from what we have in the State of Ohio, and I very much fear that I might get into trouble if I would give you the benefit of a few thoughts on the subject. Of course, on the general subject of taxation I presume Ohio is the most backward of any State in the United States. From 1836—from that day to this—very few changes have been made. In 1851, when the present Constitution of Ohio was adopted, it was provided that all property, both real and personal, should be taxed at its full and true value, and that lands and buildings should be taxed once in ten years, except railroad property. It is provided that all persons shall make a return of all personal property owned by them. There is an exemption of one hundred dollars on household effects.

In the City of Cleveland we have over two hundred million dollars on deposit, yet the tax return says there is only a million there. We have our assessors, and of course, they are very good assessors in most instances. We send them out to make an equitable return when the owner refuses to make it. While the average assessor can readily distinguish the difference between a fifty cent chair and furniture like this (meaning furniture in Chamber of Commerce room), he would hardly be able to make a fair valuation on furniture he would see in this room.

W. D. George: I might say I am in the real estate business here in Pittsburgh, and after hearing for two days what has been said on the subject of taxation, I feel like saying something myself. This question of classification to which Mayor Magee has spoken of to-day, is the first time his Honor has publicly expressed his opinion on the subject. We have been watching with a great deal of interest that law. We have three classifications: there is agricultural, rural, and full valuation, and the result of it as it has been administered here in Pittsburgh is that we find the finest homes in Pittsburgh, on Fifth avenue, Morewood avenue, and those high-priced residence districts, all in the district, all assessed at the rural classification—two-thirds taxes on them—and yet we come into Lawrenceville and lower Allegheny and the South Side, and in the very nature of things, the whole location is utilized for building purposes and under the laws it comes in for the full classification.

By Mr. Brown:

Q. Do these rural districts have the same facilities for schools?

A. Yes, sir, ordinarily. Not only that, but we go out further and we find a district out there where a chap is going on, holding on to the property as against the growth of the community and it is either taxed as agricultural, which is one-half, or at the most rural, which is two-thirds, holding back for development, which the city should try to discourage; but when a builder or some other person goes out there and builds a house on it, immediately the tax goes up, and as a result of that condition of affairs here in Pittsburgh, so much of our community is engaged in speculating in land instead of using it. Manufactures come here! You see manufacturers won't come to Pittsburgh. Why don't they come? Because the land values are so high that they can't come, owing to speculation, and if they do come, they can't get their men in. Rents

are so high. And they can go out in Ohio or some place else and can locate there to better advantage—manufacturing is cheaper and living is cheaper.

Now, that law allowing the classification of real estate should unquestionably be done away with. That is working a great inequity in all communities, and is working into the hands of the people who are holding the land out of use. Of course, I, as a single taxpayer, would go further and the man who has some legitimate use, would have something for the community, and I would think he is a good citizen; he is the man we want to attract here.

By Mr. Brown:

Q. Is there enough land in Pittsburgh to supply the demands of manufacturing corporations?

A. Right up along the railroad there you see the number of people who are absolutely sitting there just waiting until the interest or the necessity of the railroad will require that property for legitimate use. Over on the South Side, when the Wabash attempted to force an entrance into town, \$1.00 a square foot was the price for that land, and manufacturers couldn't afford to utilize that land very well, but the people held on to it until it developed and the Wabash paid \$6.00 a square foot for the same land within a year after it had been sold for \$1.00 per foot.

Q. How can you distinguish between a monopoly of land and something else?

A. There are two values to land, you will find, and that is the use value—that is, the value which any person can pay for it and legitimately use it—and then there is the other value, which is the speculative value, the value which a man gets on a piece of property when he says, "Within ten years somebody will have to have this land for some purpose, and I will sit on it a while until he has to have it and have to pay me enough to give me a profit on it." I would tax it and make him use it, and it would do away with unequal assessments. I challenge any man

to go out under present conditions and value real estate. People are coming in and asking me to set a value on real estate. The value has been inflated to such an extent because of speculations that it is away beyond the price that anybody can legitimately use it for.

Q. Are the assessors assessing it at the inflated values?

A. Yes, sir, they are. They overlook the question that so much of our value of real estate is speculative value. Over on the North Side, they are selling real estate for less than its assessed value, and if any plot of real estate had to be sold in Pittsburgh at public sale, in the downtown sections, you could not get the assessed value for it. You are speaking of personal property tax. Mr. Smith said that they actually collected two-thirds of all the personal property which is subject to taxation. You go up to his office and ask his chief man what proportion of the property which they get for taxation they get from the records of the county and what proportion is handed in on these personal returns. The chief clerk tells me, and he is the man who knows—he tells me that at least two-thirds of it is property which is handed in from the records. That is the mortgage tax. Now, a big proportion of that tax is the mortgage tax. There is no question about that, and that is the tax on the poor, unfortunate people who have to pay because they are in debt. I own a piece of property, and I own it clear. My neighbor owns a piece of property and it is mortgaged and he pays the same tax, and the mortgage tax on top of it; but the money at interest in these trust companies here——

Q. You mean moneys at interest?

A. I am speaking about the personal property tax which the State collects. Allegheny county collects \$800,000. That is a fair reversion of taxable property, even if two-thirds of it is collected.

WILLIAM N. McNAIR, Attorney at Law.

With the permission of the Committee it will take only a few words to explain some data prepared by Mr. Hardy. Mr. Hardy will explain the data which he has prepared.

Mr. Hardy: I separated the real estate from the improvements in 1909. The real estate amounted to \$696,200. In the year 1909, I did the same thing. The value of the real estate amounted to \$1,422,880. That was in the Second Ward of the Borough of Carnegie. The Second Ward has a population of 4,500. What I would think we should recommend especially would be the abolition of classification. A piece of ground laid out should not be assessed any more than a piece of ground not laid out. It should all be assessed at the same basis.

The fundamental maxim laid down by authorities on taxation, that the subjects of every State ought to contribute to the support of the Government as nearly as possible in proportion to the revenue which they respectively enjoy under its protection. The persons who enjoy the greatest revenue by reason of the protection of the State, its industries and progress are those who own land. Especially in the large centers of population in this State, lands are increasing in value and the owners thereof are receiving constantly increasing revenue and they ought to be made to contribute to the support of the State in proportion to this increase.

Ernest Selfer: My borough is right on the edge of the City of Pittsburgh. Every man in that borough is supposed to pay an occupation tax of so much a head. Now those men are compelled to pay this tax. They look across to the city where there is no tax and some of them move into the city to escape that tax. As a citizen of the State I think that this is inequitable. I think that the city should

be compelled to collect that tax, or else the tax should be taken off altogether.

By Mr. Moyer :

Q. Is it poll tax?

A. Occupation tax. The trouble now is that every man in the borough pays borough tax, as well as the school and poor tax. If he gets a heavy bill of taxes, he thinks he can move across the line and not pay it. If there is any revision of the tax laws, I think that should be taken up.

Q. Doesn't that show laxity on the part of the city officials?

A. I don't know that.

Q. If the city does not collect the tax and it is the law, where does the responsibility lie?

A. If that is the law, the city should be forced to collect it.

By Mr. Brown :

Q. Do you think anybody moves from your borough to the city to escape that tax?

A. I think some of them go. If you go on the other side you don't have to pay it, and if you stay in the borough you have to pay that tax.

Adjourned at 5.30 P. M. to meet at 10.00 A. M. Saturday morning.

PUBLIC MEETING, PITTSBURGH, PA.,

MORNING MARCH 26, 1910.

C. E. Bown, Assistant City Solicitor of the City of Pittsburgh: Gentlemen, as the law officer of the city, having charge of street railway matters, my attention has been called somewhat closely for the past months to that question in particular, and in relation to the public service corporations of the municipality in general.

With your permission I would like to give a brief sketch of our department, or our system here, so that you will understand how I have arrived at the conclusions I come to.

First, the street railway company was chartered in 1859. They were, of course, horse car companies. The ordinances at that time contained conditions which were then thought to be applicable to corporations of that kind, particularly requirements as to keeping the streets clean and in repair. There were some 17 companies chartered by the Legislature between the years 1859 and 1874. Eight of those companies never built lines, but were abandoned. Two of them were subsequently merged or sold to other companies. Seven of these charters are in existence today and the present company claims right under them.

From 1874 to 1887 there were possibly some eight or ten companies chartered under the Act of 1879, which authorized the formation of railway companies in cities of the second and third class. The Act was subsequently declared unconstitutional, but practically all of these companies availed themselves of the Act of 1859 and are in existence to-day.

Eighteen hundred and eighty-seven marked the transition from the old horse line to the cable system. A number of traction companies were organized under the Traction Motor Power Act, passed that year. The theory

of the Act was that companies organized under it were organized merely for the manufacture and supply power to the street railway companies. In other words, it did not grant any subsequent franchises to companies organized under it. There had to be in existence a company organized under some other law which made the contract with the traction companies organized under the Act of 1887. The method was for the old company to lease the lines to the traction company. That also marked the first outburst of modern ideas on capitalization. The old companies did not have more than \$100,000, while most companies were organized at approximately \$1,000,000 and in some instances, of course, more than that, and bonded in some cases for an equal sum. The capital stock represented, of course, the good will and franchises, and was exchanged for the stock of the old company for the franchises. From 1887 for a few years the street railways operated principally by cable power, and in 1889 the first General Act was passed in this Commonwealth authorizing the formation of street railway companies. That marked the beginning of electric street railways and also marked a further increase in the method of capitalization. Under the latter Act, the Act of '89, a large number of companies were organized, possibly there had been as high as 200 in this county organized under that Act. Naturally competition arose, and after competition, consolidation, and the companies here were gathered under two large companies, the Consolidated Traction Company and the United Traction Company. Between them they controlled about 130 subsidiary companies, including in these the old companies that have the Legislative charters. Of course, every leaf or every turning over was made a further occasion of the increase of the capital, each one representing generally a number of different profits, brokers' profits, constructors' or contractors' profits, and so on. You are probably familiar with that to some extent.

The ordinances of the city that were granted to each company from 1887 on were of different character from

what had been granted to the early companies. They were either in every case practically in perpetuity or for the terms of the company's charter, which was usually for 999 years. They were without compensation to the city and without condition as to operation. The result of this matter of operation would not be hard to foresee. It did result in the gathering together of all these properties ultimately under one company, the Pittsburgh Railways Company, which is a company what we call an omnibus charter, a charter of 1881, giving the company practically every known power to transact business. This Pittsburgh Railways Company, on the other hand, is merely a holding or operating company, and its stock is held by the Philadelphia Company, which is also a company having one of these omnibus charters; and that company owns or controls the heating or lighting utilities of this neighborhood, practically all of them. There are one or two other small lighting companies, but the Philadelphia Company does most of the natural and lighting business. The result has been that the Pittsburgh Railways Company has not had sufficient new capital to keep its equipment up-to-date, having, and it has now, arrived at the point where it finds what it should have for use as available working capital tied up in these stocks and securities that have been issued from time to time in the past. And another thing most of the people have agreed generally that is the keynote in the present situation, that if the Company had an opportunity of increasing its capital stock we should not be facing the present situation. I need, I suppose, not enlarge on the details of that situation, and I do not think this is the time or the place to make an harangue as to the wrongs the community has suffered at the hands of this corporation. You all know that the service is not what it ought to be; the company's officers even admit that. That naturally brings up the questions of remedy, if one can be provided. As I have mentioned, the city is practically without remedy. The only franchises which

contain conditions of any kind are those to the earlier companies, having legislative charters. Those conditions were inserted with a view to conditions widely different to what they are now. Consequently we must turn to the State if we are to secure any remedy for present conditions, and when we do that we, of course, come to the Railroad Commission Act of 1907.

Now, in discussing this Act, I do not wish to be considered as offering criticisms upon the Commission or even upon the attitude of the Pittsburgh Railways Company toward that Commission. The City of Pittsburgh has an action pending before the Commission, and it would be ungracious for me to say that the proceeding would not result in helping the city, but I do want to call your attention to things that I consider defects in the Act, and some powers which I think require to be amended or supplemented. In the first place, the Act applies only to common carriers, telephone and telegraph companies. I think it ought to be made to include all public utility corporations. You can see that the question of heating and lighting is very closely associated with the street railway matter. We suppose, and I think it is a matter of fact, that the Philadelphia Company relies very largely upon the profits of its lighting and heating companies to offset the loss arising from the operation of the street railway company. The consequence of that, these rates are put up to the highest possible point, and now we hear threats of the rate of gas going higher. I have heard that they are to be raised on the first of May. Consequently, I say that this ought also to be a subject of State regulation.

Now, gentlemen, in arriving at my knowledge of the facts which I have presented to you, I was put to a great deal of difficulty, for various reasons. One was this State Street Railway Act of 1889, by which corporations are not required to register their charters in the county in which they do business. Consequently, I had to go to

Harrisburg whenever I wanted any information as to their charters. Then there are a number of other matters that are infinitely connected with the organization and operation of these corporations that are not matters of public record, and that ought to be. This brings me to another recommendation, and that is, that these corporations should be required to file with some officer of the county or municipality where they do business certified copies of their charter, ordinances, extensions, leases, and agreements and instruments generally of all kinds on which they rely for the exercise of any right within that district. In that way it would be possible for the officers of the city to be informed of the various privileges relative to the right and liabilities of the party, and we would not be in the position where we are now where it has taken us practically a year to get at the facts of the situation. It seems to me, to refer to the Act of 1907, that the vital defect in the Act is that the decrees of the Commission are not made mandatory. In other words, the Commission is merely a body to inquire and recommend. It is provided in the Act that if the corporation shall not obey the recommendations of the Commission, that then they shall certify the statement of the facts to the Secretary of Internal Affairs or the Attorney General. Now, these officers have full power to act in case the corporation is violating the law, and the evasion or disobedience of the Commission's decree is not necessarily a violation of the law—of course, it may be, or may not. If it is a violation of the law, we have already a remedy. If it is not, the city or Commonwealth are without remedy. I think in this matter that we might copy after the Massachusetts law. In stating this question I have referred principally to the laws of Massachusetts, for the reason that they are the outgrowth of forty years' experimenting upon this subject. They have had a Railroad Commission for over forty years. They are the result of that period. And in Massachusetts the decrees of the Commission in certain cases are

made mandatory through the imposition of penalty. I refer particularly to the provision in their code by which they can impose a penalty upon any corporation failing to provide additional rolling stock when ordered by the Commission. I think a penalty would be a very proper and very wise means of arriving at the result of compelling the corporations to obedience. I might also say that in New York they have a penalty and the results have been that the company have not sought to delay or avoid or disobey the decrees of this Commission. There are a number of other features, which I think might be incorporated in our laws relating to this matter—the matter of real estate valuation and also the valuation of franchises is important. For instance, in this city, while the company issue some transfers, it by no means will provide an adequate system, or the system which it ought to provide. If we had a means of putting a regulation in the franchises it would enable us to meet their plea that they could not issue transfers because they cannot make money or profit. The question of transfers is also another one—of course, the Commission has power to deal with that as with other matters. Whether or not the City ought not to be empowered to deal with some of these questions is a matter of great deal of doubt. Personally, I think they ought to be left to the Commission, if the powers of the Commission are enlarged. In my conversations with other men, they seem to be in favor of municipal rule of transportation, which would have power to make certain regulations. That is a matter of detail which should be considered in dealing with this question.

I think in my communications with this body I referred to some other matters. Yes, the matter of the issuance of securities is one that should be under the jurisdiction of the Commission. At present our Commission has power to inquire into the issuance of securities if they deem it advisable. In Massachusetts all new securities must be authorized by the Commission, and there is a provision

that they shall not be issued unless the Commission finds it to be necessary. You can readily see if we here had some such provision at present what it would have saved us now and what such a provision will probably save us in the future.

In connection with that the Massachusetts laws also provides that the Commission must give its consent to all leases and agreements by any and all corporations. I might give you one or two instances to show you how that has been abused in the past. First, the Pittsburgh & Birmingham Passenger Railroad Company, going over the river to the South Side on the Smithfield street bridge—the original lease of the Passenger Railroad to the Traction Company in 1887 provided for a rental of \$12,000 a year. The lease of the traction company—United Traction Company—made some five or six years later was at a rental of over \$150,000 per year. That, of course, was partly justified by the changes in the system of operation, but not by any means to that extent. That went on in the case of all these corporations. And these rentals which are being paid to-day are one very large source of trouble to the companies to-day.

The grade crossing is another matter that has given the city a great deal of trouble. The Pittsburgh Railways Company interposes the plea that the number of crossings at grades of the steam railroads interferes with the operation of its cars. The city has practically no power to deal with these questions except by agreement between the railroad and the city, and the street railway. The Act of 1901 is not applied to a city of the second class, and the Act of 1871 does not apply to crossings of steam railroads. Our trouble has been to get the Pittsburgh Railways Company to stand its proper share of expense to abolish these crossings. In the State of Massachusetts that has been worked out satisfactory, the law specifies the portion of expense which shall be borne by the various corporations and the municipal districts. Some such system as that

would speedily do away with these crossings which are present to-day.

The matter of an uniform system of accounting is one which the Commission should be compelled to require of all such corporations. Without this it is really impossible to tell what these corporations are doing and in many cases what would be fair or unfair regulation. That is, of course, connected with the valuation of physical properties and franchises and I think is in accordance with the most modern thought on this subject. In Massachusetts also they have provided for a periodical inspection of equipments, rights-of-way, bridges, and so forth of such corporations by some officer of the Commission. Personally, I am inclined to think that is not so important as the other matters, although I might say that at least in one respect—that is, if we had that provision here—we would have probably done away with the inadequate methods which the company use here, which is really a disgrace.

These complete my suggestions, gentlemen, for the present. The subject is a large one, and I have not yet had the time to go into it as thoroughly as I wish to, but it seems to me that some provision along the lines that I have indicated should be adopted. They have been adopted in other places, notably, as I have stated, in Massachusetts and also New York, Wisconsin, Illinois, Ohio, and I think possibly in Michigan, of course, in a number of Western States. Other States are considering them. I see that the State of Maryland is at present holding hearings before some Commission similar to your body on this subject. The State of California, I believe, is contemplating taking such steps. Now, in many other places they have a means of dealing with these corporations which we have not. I doubt if there is any place in the country where the grants of the municipality to these corporations were of the same kind as those made in this city during the years 1887 to 1897. They deprived the city practically

of any power to protect itself at all. Now, if they need this method of State regulation in other places where the municipalities have reserved some right of protection, much more do we need it here. As I have said, this is not the place or the time to indulge in the recital of the wrongs which this community has suffered at the hands of the public service companies, and the Pittsburgh Railways Company, but we do feel that we have suffered and are suffering to-day a great and grievous wrong; that this is not a question entirely of policy, but there is a moral aspect to it and that we come to you asking you to exercise the State's power, which the State has, of supervising these corporations and compelling them to do their duty.

By Mr. Brown:

Q. You tax in the City of Pittsburgh what of these corporations?

A. I want to speak about that. We tax the real estate of these corporations in the old city.

Q. What do you tax in the new city?

A. We do not tax them in the Greater City. The Supreme Court has recently decided that we are not entitled to tax their real estate on the North Side.

Q. The Supreme Court reversed your lower Court?

A. Yes, sir.

Q. Your local Court decided for you and the Supreme Court reversed it?

A. Yes, sir.

Q. What other tax do you levy upon them?

A. Practically nothing. In 1893 the City passed an ordinance levying a license tax which netted it in the neighborhood of \$20,000 a year. In 1896 that was amended by raising the amount, and the company contested the validity of the new ordinance and the Court held that it was invalid in that it was an attempt to impose a property tax and not a license tax. We received some \$20,000 from

the North Side company. Aside from the real estate tax which the City receives and the amount which I cannot give you, that \$20,000 per year is all that we are receiving to-day.

Q. Under the Constitution the City has the right to levy a license tax upon these corporations before they allow them to operate within their limits?

A. Yes, sir.

Q. Then your criticism is one of the City of Pittsburgh and not the corporation?

A. It is attributable to the officers of the City of Pittsburgh who at that time had the power with these franchises. However, that was brought about, though, we are confronted, as I say, with a condition, and not a theory, and if it is possible to remedy that condition we do not think we should be made to suffer for the acts of the Trustees of the city at that time.

Q. And as a lawyer you will appreciate that that became part of the contract between the city and the corporations?

A. There is enough proper things to bring about that abrogation.

Q. Do you think Pennsylvania has the right to set aside or abrogate this contract between the corporations and the City of Pittsburgh?

A. I think that Pennsylvania has the right to pass a law along the lines I have indicated in my address, looking to the regulation of these corporations in these matters. That has been very largely thrashed out.

Q. How about the underlying securities, now?

A. That is one that I have not given much attention to. Some of the persons that I have talked with about that feature think that a plan can be devised for handling these securities, that is, the provision of a fund from the surplus earning, if there should be any, looking toward the gradual and ultimate retirement of the water in the securities.

Q. Now, are the earnings of those corporations sufficient for the creation of such a fund?

A. They are said not to be, but that is a matter on which we lack at the present time sufficient information, and that merely emphasises a point that I want to make, and that is, that municipalities and the State in dealing with these questions are handicapped by lack of sufficient knowledge of conditions. If these companies were compelled to adopt a uniform system of accounting, and make full and complete report, we could then tell whether they were telling the truth or not about their profits, and have some idea of what they are working on.

Q. Do you think they have the right to increase the price of gas and other public utilities for the reason that the railways company is being run at a loss?

A. I think that is the present situation.

Q. That they are at present running the railways at a loss?

A. At a loss in this way: take, for instance, one of the underlying companies, the Citizens' Passenger Railway Company. That company was leased first to the Citizens' Traction Company, then the Citizens' Traction and its companies leased to the Fort Pitt Traction Company, and that in turn was leased to the Consolidated Traction Company, and the Consolidated Traction Company was leased to the Pittsburgh Railways Company. The stock of the Pittsburgh Railways Company is held by the Philadelphia Company, and that in turn is held by a San Francisco Company. The point I make is this: The Consolidated Traction Company and the United Traction Company own a great portion of the stock of these underlying companies which receive these dividends and rentals, and in that way it would easily be possible for the company to make a showing that it was being operated at a loss, if the full details of all these transactions were not given, by which it would be possible to analyze the thing, and find out just where the money was going.

Q. Are you familiar with the Philadelphia agreement between the City of Philadelphia and its transit company?

A. No, I am not. I have heard of that agreement.

Q. How could the State of Pennsylvania, under the present Constitution, give the Commission mandatory powers?

A. That is a question which I am not just prepared to answer. I intend to take that up and to follow your suggestion of submitting a brief as to proposing a bill along these lines, but I might say this: that in my view of the case the Commission would not be a Court having the present powers of the Courts of the Commonwealth.

Q. But if it has any one power it would come within the prohibition?

A. I should think not.

Q. What would be the mandatory power in your mind that should be given to the State Commission?

A. The power to compel corporations to supply additional rolling stock, and to issue transfers. Suppose, instead of making it mandatory, you should agree that way—accomplish that end by imposing a penalty for violation?

Q. How are you going to enforce a penalty without going into Court?

A. You, of course, have to go into Court to enforce the penalty as you do in any other case.

Q. You would give the Commission that power and the Court would have power to enforce it?

A. That was my notion. Other things have arrived at this. It is a serious and complicated matter and one on which I am not prepared to speak with any degree of assurance yet. I believe there is a way of accomplishing it in this State.

Q. How does your local company feel as to the subject of a municipal bureau?

A. I don't know, Mr. Brown, how they feel about that.

A municipal bureau such as I have had in mind, whose powers would be limited to gathering and compiling statistics and information and keeping track of the railroad companies in the city. I think that the company would not oppose it. They might feel that we ought not to have a municipal commission or board with any powers of regulation.

Q. How would they feel about the State having a board with the powers you suggest?

A. I suppose they would be against it.

(Mr. Brown will submit a brief.)

A. C. CANFIELD, representing Allegheny County
Laundrymen's Exchange.

To the Joint Committee of the Senate and House of Representatives of the Commonwealth of Pennsylvania:

Gentlemen: In answer to your invitation of March 11, to meet your Committee in Pittsburgh to give you our ideas and data on any tax that we may be interested in, would say, we come as representatives of the Allegheny County Laundrymen's Exchange in regard to the capital stock tax of five mills on corporations, as passed under the Act of 1885 and supplements thereto. We are not objecting to the tax, as we believe that any concern incorporated should be willing to pay the Commonwealth for the privilege that they receive, but we do think that all corporations should be taxed alike, and that there should be no exemption whatever under the tax. We believe that if all corporations were taxed under the Act, that the tax, being five mills, would be reduced a very large per cent. We see no reason that manufacturers should be exempt from this corporate tax and laundries covered by it. Are not our modes of operation the same. In fact, at least 50 per cent. of our output is paid for in labor, and the laundries of Allegheny county spend more than a million dollars every year in labor. Our work is carried on by machinery the same as manufacturers and our city and county tax us the same as manufacturers on this machinery. If we are not manufacturers, why should we be taxed for this machinery? In our business in Allegheny county in normal times we employ between three thousand and thirty-five hundred skilled employees. We use during the year several hundred carloads of coal, or its equivalent in gas, in our power plants. The work of the laundries in Allegheny county is a performance of part of the labor of the households of the communities in which they are

located, and any tax on this labor is one that tends to make the cost of home greater and increase the living expenses of the people of the community, as to-day the work of a laundry is absolutely necessary and its work cannot be performed in the individual homes of the people of the communities.

When you consider these facts, gentlemen, we appeal to you and ask that we either be put on the same basis as manufacturers or that the manufacturers bear their share of the tax and therefore reduce it very largely from what it is now.

By Mr. Brown:

Q. Your contention is that the various manufacturing companies should be—your protest is because the other corporations are not in the same position as you? They produce something for the general wealth of the community?

A. Are we not doing that, too? They buy coal and use coal, but in addition to that we do something. It seems to me that the question is on the tax. They receive certain privileges and certain benefits by this corporate tax. They should be as able to pay it as we are. I see no reason why one concern should pay that tax and some others not. It seems to me that when a tax is levied and it is a corporate tax, it should apply to all corporations.

Q. What is the sentiment in this community on this subject?

A. I have never taken up the subject, for the reason that this is a manufacturing community and naturally they will not take up anything that will interfere with them. In Ohio the corporate there is one-half of one mill instead of five mills. For instance, last year we paid the Commonwealth about \$750, and yet with all the millions invested in this county, in manufacturing, on the same tax, they paid nothing on their capital stock.

Q. Does this tax bear heavily upon your interests?

A. As I say, last year we paid \$750, which I believe was a very heavy tax.

Q. You think that is out of proportion, do you?

A. Yes, sir.

Q. What do you think would be a fair tax?

A. I wouldn't object to one mill.

Q. You wouldn't object to paying the same tax if the others pay the tax the same as you?

A. No, we do not. I remember some years ago the Park Steel Company had 12 million dollars worth of property, and they did not pay a cent of capital stock tax. They were only three squares from us, and we paid \$350. We were employing at that time more hands than they were in proportion to the capital invested. I understand their labor was only perhaps 10 per cent. of their entire output. We use machinery the same as manufacturers.

Q. You don't think that the same factory with the same machinery and the same people making shirts would be in any different position than you laundrying shirts?

A. I don't see a great deal.

Q. Considering the general welfare of the community?

A. I do not.

Q. You would impose a similar tax on all corporations?

A. Well, what I think is right is that a tax be imposed on all corporations, and if we couldn't have it that way we would like to be put in the same class as manufacturing corporations.

Q. You are satisfied with the present rate?

A. No, if you put up the tax on manufacturing corporations, it would be reduced very much.

Q. Can you give us the sentiment of your people regarding the appropriations of money to hospitals and private institutions?

A. As far as I know there is no objection to it.

Q. Do you think the State money is wisely used?

A. So far as the matter has been discussed they all think that way.

By Mr. Moyer:

Q. Do you think there are too many hospitals in this city?

A. I think not. I do not think there are enough.

Q. It has been said that there are 1,000 unoccupied beds in the hospitals—what would you say as to such conditions?

A. I don't believe that condition exists all the year around, but I have been informed by physicians that there were times when they could not properly take care of poor people that sought entrance to the hospitals. Of course, when the weather is mild, there is not as much demand for hospitals as there is during the winter months. I do not think Pittsburgh has any too many hospitals.

By Mr. Brown:

Q. Do the factories, as a rule, contribute to the hospitals?

A. That I couldn't tell you.

LEE S. SMITH, President of the Chamber of Commerce
of Pittsburgh.

Gentlemen: So far as the Chamber of Commerce is concerned, it has not said much on this subject, it is a subject which will require a great deal of deliberation. We realize that it is most important and we hope at an early date to have a meeting and give a report to the Commission. We asked the Commission to come here and learn as much as you could.

By Mr. Brown:

Q. Mr. Smith, does the Chamber of Commerce represent all the manufacturing interests of the City of Pittsburgh?

A. I think so.

Q. What other interests?

A. Manufacturing, mercantile, professional, we have no limitations, lawyers, ministers and merchants and everybody else.

Q. Is it your thought that your association will take some definite action on the subject?

A. I think, yes. I would say, Mr. Brown, that the Chamber of Commerce of Pittsburgh devotes its time to civic and public affairs instead of commercial. It is not a trade organization as most organizations of the same name are. We try to help the City Government.

Q. We have received a number of letters from all over the State, other than manufacturing interests, stating that manufacturing corporations ought to be taxed. In other words, that the exemption under the Act of 1885 ought to be removed.

A. Yes.

Q. Now, I had hoped when we came here that there would be some definite position taken by the manufactu-

rers here so as to give the Commission some information and data which they could take into consideration with the other sentiment that has been sent from all over the State.

Meeting adjourned at 12.30 P. M. Hearings closed at Pittsburgh.

Public meeting of the Committee held in the Government Building, Common Pleas Court Room, Williamsport, Penna., on Friday morning, April 8, 1910, at 10 A. M.

Present:

GABRIEL H. MOYER,
Vice Chairman, Sec'ty, Presiding.
WILLIAM H. KEYSER,
JAMES F. WOODWARD,
of the Committee;
FRANCIS SHUNK BROWN, ESQ.,
Counsel.

The session was given up to the State Grange. The State Grange was represented in the session by State Master W. T. Creasy, Leonard Rhone, of Centre Hall; W. F. Hill, of Huntingdon; E. B. Dorset, of Mansfield; J. T. Ailman, of Thompsonstown; A. W. Dennison, A. Kely, and George Moscrip, of Towanda; John A. McSparran, of Furniss, Lancaster county, and A. Nevin Detrich, of Chambersburg.

The Chairman:

The general purposes of this Committee for which it was created have been fully set forth in the circular letter sent out by the Committee and which many of you have received. We hardly think it necessary that anything more may be said in this connection. We will proceed to hear the State Grange of Pennsylvania. We understand they are quite numerously represented to-day.

By Mr. Creasy:

Mr. Chairman, and gentlemen of the Commission:

I take great pleasure in introducing to you the Hon. Leonard Rhone, of Centre Hill.

Mr. Leonard Rhone :

Mr. Chairman, and gentlemen of the Committee of the Senate and House of Representatives of Pennsylvania: We appear before you as a Committee of the Pennsylvania State Grange, to represent and set forth certain conditions that confront the farmers and real estate owners of the State of Pennsylvania, which are brought about by revenue laws enacted by the Commonwealth, from time to time, as the conditions of the Commonwealth require. In the progress of development, legislation is likened unto most any business—conditions that suited thirty years ago do not apply now. Consequently, the Commonwealth must remodel its laws so as to comply with the needs and necessities of the Commonwealth.

That I may not take up too much of your time this morning in presenting our side of the case, we have prepared a statement in writing of the conditions as we find them, taken from State reports; and I would ask Mr. James McSparran, of Lancaster county, to read that report before we proceed to make our argument.

Mr. James McSparran (reading) :

We, farmers and citizens of Pennsylvania, appointed a committee by the Pennsylvania State Grange, Patrons of Husbandry, authorized to address your honorable Committee, herewith set forth certain discriminations and hardships imposed upon real estate, farm, and home owners by the unequal and unjust tax laws of Pennsylvania which exact from real estate appraised for taxation at \$4,209,076,056 a tax of \$77,568,406 annually, or an average of 18 mills on the dollar, while under the authority of the same laws only \$22,184,129 are collected from personal and corporate property which is appraised at \$7,109,086,575, or an average tax of only $3\frac{1}{4}$ mills on the dollar.

In addition to the foregoing discrimination against real estate, cited, the counties are required to pay direct to the State \$9,539,311 (Report of Auditor General, page 2).

It may be contended by some that real estate is under-valued for taxation. So is personal and corporate property to a much larger extent, as indicated by the statistical reports of the Commonwealth.

This subject was fully investigated by the Pennsylvania Tax Conference a few years ago. A complete record was made from the books of the County Commissioners of the assessed value of real estate for taxation and what lands actually sold for in the market which clearly indicated that real estate was assessed for fully 75 per cent. of its selling price in the several counties of the State, while personal and corporate property, according to the statistical reports of the State and taxes collected, are not assessed at more than 50 per cent. of their market value.

Take, as an example, the appraised market value of manufacturing plants in Pennsylvania, which is stated at \$1,126,406,543 (Report of Secretary of Internal Affairs, 1908 (part 3, page 301), while its estimated appraised value for taxation is only \$155,088,250, and taxes paid \$948,351 (Report Auditor General, 1908, page 214); so that if there is any under-valuation of property for taxation it applies more forcibly to personal and corporate property than it does to real estate.

When the Legislature enacted laws changing the financial policy of the State, it exempted personal and corporate property from local taxation and made it taxable wholly for the support of the Department of State, and then in return made real estate taxable wholly for county, city and local governments.

When this policy was inaugurated by the State, the wisest statesmen did not foresee the enormous growth of the value of personal and corporate property, which now has reached the prodigious sum of over \$7,109,086,575.

In the race of development, personal and corporate property has outstripped real estate by over \$2,900,000,000.

During the same period the taxes on real estate have increased to \$77,568,406, while on personal and corporate

property the taxes have fallen behind real estate more than \$55,000,000.

We might cite numerous cases of how the discrimination affects the home owner, but we will give only a few illustrations of the situation.

Take two citizens of the Commonwealth; one buys a home for \$1,000 and is required to pay a tax from \$20 to \$30 for the support of schools, roads, poor, etc. The other invests his \$1,000 in personal property bonds and mortgages and is taxed \$4 for the support of the State and nothing for the home government, the benefit of which he enjoys equally with the other.

This unjust discrimination is authorized by the laws of Pennsylvania, a republic that counsels its people, "To love mercy and do justice." We, therefore, appeal to your honorable Committee of our State Government to carefully investigate this complaint of the farmers, home-owners and tenants of Pennsylvania.

RECAPITULATION.

HOW THE TAX ACCOUNT STANDS IN PENNSYLVANIA.

The aggregate appraised value of real estate in Pennsylvania is \$4,209,076,056.

The taxes paid by real estate is \$77,568,406.

Average rate of taxation on real estate, 18 mills.

Appraised value of personal and corporate property, \$7,109,086,575.

Taxes paid on personal and corporate property, after deducting commissions, licenses and other miscellaneous sources of income, amounting to \$9,539,311.49, leaves a tax on personal and corporate property of only \$16,313,237.

Average rate of taxation on personal and corporate property, $3\frac{1}{4}$ mills.

If personal and corporate property were taxed at the same average mill rate as real estate would be taxed under an equitable arrangement, crediting licenses, fees, com-

missions, etc., to personal property amounting to \$9,539,311.49, personal property would be required to pay \$68,461,641 instead of \$16,313,237, so that an average rate of 10 mills would provide all the revenues necessary to administer all the divisions of the State Government.

Crediting to personal and corporate property commissions, licenses, and other miscellaneous sources of income, amounting to \$9,539,311.49, would make a total of \$78,000,952 as the share of personal property.

If taxes were collected equitably real estate would be required to pay only \$46,092,836, instead of \$77,568,406, or a saving to the real estate owners annually of \$31,475,570.

The real estate owners are, annually, grossly robbed of \$31,475,570. Fourteen millions of this amount is directly extorted from the farmers and seventeen millions from residents in cities and towns, whether they be owners or tenants. It is this policy of the State that has driven away from the farms and rural communities, according to the last census report, over one hundred thousand people from twenty-two counties of the State.

To correct these discriminations against the farm and home owners of Pennsylvania, we respectfully insist that the State either assume a larger proportion of the cost of the local governments or give the local governments authority to tax personal and corporate property in each unit of government.

The State could, without any detriment to its own finances, remit to the counties the \$9,539,311 now collected by the State from the counties. And in all justice, the State should pay the minimum wages of public school teachers, for the minimum term, which would assist the local governments upwards of \$14,000,000. And could further relieve the local governments by appropriating a minimum sum per mile to the counties and townships for road purposes equal to 100 per cent. of the road taxes paid in each township, limiting the amount to twenty-five

(25.00) dollars per mile; and relieve the counties and townships of the partnership business in constructing State roads. Let the State assume, with the aid of the National Government, the entire construction of inter-State and inter-county roads.

If there are not sufficient revenues for the State Government, an additional tax of one mill could be placed on all personal and corporate property (without any hardship), with a small tax on the gross productions of mines, oil and gas wells, and similar enterprises.

Besides, there are numerous other sources from which revenues might be derived, such as manufacturing companies.

If the State treated the agricultural class with justice and equity, the farmers would be contented in their vocation, and Pennsylvania would have more prosperous and happy agricultural communities, which are the main-stay of the prosperity of our Commonwealth.

In proof of the correctness of the foregoing statements, we herewith submit a tabular statement drawn from the official reports of the State Government.

Respectfully submitted,

WILLIAM T. CREASY,
LEONARD RHONE,
W. F. HILL,
S. S. BLYHOLDER,
A. M. CORNELL,
JOHN A. McSPARRAN,
THOS. SHARPLESS,
H. G. TEAGARDEN.

A tabulated statement of the appraised value of real estate, corporate and personal property for purposes of taxation; amount of taxes paid and average mill rate of each subject, with a statement of the actual cost of State, city, county, borough and township governments of Pennsylvania for 1908, latest reports available. Compiled under

the direction of the Legislative Committee of the Pennsylvania State Grange from the official State reports of the Auditor General, State Treasurer, Secretary of Internal Affairs, Commissioner of Banking and Insurance Commissioner, citing the volume and pages from which the facts are drawn. By Leonard Rhone, Past Master of the Pennsylvania State Grange. This tabulated statement will be used in our argument.

Mr. Leonard Rhone, addressing the Committee :

Mr. Chairman : The appraised value of the capital stock of corporations, banks and personal property has been taken from the Report of the Auditor General of the Commonwealth, and there should be no question as to the correctness of the statement along that line, because, being computed by the Auditor General, the accounting officer of the State, they should be undoubtedly correct. We have taken the amount of tax paid as reported by the Auditor General, and computed the mill rate. This is not the method of the State in collecting the tax, because, taken in the case of the corporation, the tax is five mills upon the appraised value of the capital stock and four mills upon the assessed, so that the mill rate, as computed here, is simply taking the amount of capital stock and the tax paid. We do this so as to be able to make an intelligent comparison with the methods by which real estate is appraised and assessed. Some of this property, such as railroads and other great corporations, we have taken the statement from the report of the Secretary of Internal Affairs, as to capital stock represented in these great industries that are reported by volume 4 of the report of the Secretary of Internal Affairs. Therefore, they are presumed to be correct. The taxes, as I have said, were taken from the report of the Auditor General, and the mill rate computed. As to the capital stock of national banks, we have taken the statement from the report of the Comptroller of the Currency. As to the amount of tax paid in the State of Pennsylvania,

we have taken the statement from the report of the Auditor General and computed the mill rate; the same with saving funds, State banks and other private institutions. As to insurance companies, we have taken the capital stock from the report of the Insurance Commissioner, and the amount of tax paid from the Auditor General's report, and computed the mill rate; so, in our statement, these are not mere assertions, but they are confirmed by these reports.

The value of the personal and corporate property, as you will observe from the report, as read, aggregates over seven billions of dollars. This was not the condition in seventy-four, at the time of the adoption of the new Constitution. Prior to that time all real estate was assessable for State purposes, and the laws then were changed so as to exempt real estate from taxation for the State and exempting personal property from taxation for local government, and at that time the conditions were nearly equal, and there was no hardship. This is where the argument comes in; what suited thirty or forty years ago does not apply to-day no more than changes apply in manufacturing or any other industries. Therefore, the policy of the State is hardship after hardship to the real estate owners. Where is there any reason if a man has a thousand dollars invested in a house, that he should pay twenty, or thirty, or forty dollars tax; and another man in the same town who has his thousand dollars invested in bonds and mortgages and only has to pay a tax of four dollars? The person who invests his money in a home, helps to build up the town, making it habitable, supports the schools, the streets and the poor, is more important to that community than the man who loans his money. I know of persons who draw salaries of five thousand dollars a year who are assessed at five hundred by the County Commissioners—put in that class. Attorneys who possibly have an earning of from five to ten thousand a year are assessed in the class of two hundred and fifty dollars. Then, other

attorneys who are just starting in business, they are assessed in the same way. There is no justice in that condition. It is a discrimination in favor of the strong against the weak. And at all events, it is the business of the Commonwealth to see that justice is done between its citizens and its industries. It is as important to the prosperity of our State that we should have prosperous farms, prosperous manufacturing plants and prosperous enterprises of other kinds, as it is to have these great moneyed institutions that are making an average of 7 per cent. on their capital, when the farmer cannot earn on an average, down on his farm, more than 3 per cent. This is the condition that confronts them. It occurs to us to urge the government to so change these conditions as to enable us to keep our people on the farms.

What is the condition to-day at the death of the head of a family because of these hardships? The estate is sold to strangers, and the widows and orphans are driven out to become clerks in your City, and to seek positions of that kind, because they cannot hold the homestead and they have not sufficient earnings ahead to engage in business themselves. This side of the question should be looked into as well as the other side, and we hope that your Honorable Committee will inquire into this statement, provided to us by the State Reports and showing that we have made no misrepresentations.

We are here as business men, not as reformers. We do not claim the world is all wrong. We are here simply as business men to ask you to correct what is wrong and make it possible for these homesteads of Pennsylvania to continue to their descendants from generation to generation, and we will have the most prosperous and happy Commonwealth of any State of this great Union.

Take the State of New York—take the railroads of Pennsylvania that run from Pennsylvania into New York State—when they cross the line they are assessed at \$15,000 per mile and three tax levies upon the same roads

that don't pay anything to the local Government. They are taxed for the support of the State and the county and for the townships and the boroughs. If these large concerns of capital, who are running the transportation business of our country, can do this in New York they certainly should be able to do it here in Pennsylvania. Take people who live on the line between Pennsylvania and New York. I have been told that the tax on Pennsylvania farms is fully 50 per cent. greater than in New York. If you cross to the State of Ohio the same condition prevails.

Then, again, as to manufacturing plants. Where is the constitutionality of exempting the capital stock of a manufacturing company when the Constitution of the Commonwealth clearly states that the tax shall be uniform upon the same class of subjects? And yet, under the laws of Pennsylvania, they exempt one of the most prosperous enterprises and one of the largest and greatest enterprises that we have in our State from taxation on its capital stock. If they can pay this tax in New York—if manufacturing companies can pay this tax in New York, why are they so prosperous in New York? It is true we have not any of the small manufactories that they have in New York of agricultural implements, but the great iron and steel industries are all nearly centralized in Pennsylvania, and we feel proud that we have such prosperous business conditions along that line. But where is the necessity of men accumulating their millions and then giving them away for libraries or building auditoriums for great institutions? They are simply appropriating our money; they have failed to pay that which they should to the State from which they derive their authority. It is the business of the Commonwealth to see that these wrongs are corrected.

When we buy a reaping machine that might cost sixty dollars, until it reaches the consumer, the farmer, we must pay one hundred and twenty dollars; so it takes 100 per cent. of the amount to put this machine into the

market. This is altogether unnecessary, because the manufacturers could adopt a more liberal, more business-like method of reaching their consumer; and this applies to the whole matter throughout. It is these wrongs that we ask you to correct. There is a great deal we could add to the subject, but I stand here as a farmer to insist upon a correction of these outrageous impositions upon the agricultural people for the last thirty years. I have never engaged in any other enterprise, and I would not be here to-day if it was not to plead the case of these people. If they are not accomplished students in the art of public speaking and public reading, they are good citizens and useful citizens necessary to the Commonwealth. Weed out the farmer and what would the great State of Pennsylvania be? Consequently, we ask you to look carefully into the welfare of these people and try to retain them on their farms. People of the rural districts, it is said, are generally driven to the city because of the higher salaries they get there; but the one great cause is, as I have said, that the parents of these young men and young women have not been able to earn enough to start them up in business; and when the head of the family dies, the homestead goes into the hands of strangers, and thus good citizens—these useful people to the several communities, are driven out. Who takes their places? Capitalists buy these farms at 50 per cent. of their worth and they put on these farms mostly people from Germany or from Holland, and those industrious and enterprising people who come from foreign countries. A very few have Irish and Italians on their farms, but Germans invariably—Pennsylvania is made up of German stock. It becomes us as a State to see that these people are protected in their rights. If there is any slavery more detestable than the Southern slavery—that is to say, to the negroes in the South, it is this slavery to the Pennsylvania farmer. Consequently, we ask you to stop this condition of things.

I thank you for the opportunity of appearing before you. There are others in the Committee who wish to be heard.

By Mr. Brown :

Q. Mr. Rhone, we have been informed that the appraised value of the manufacturing plants in Pennsylvania aggregates about three billions. You fix the figures at \$1,126,000,000. That would give you a little higher figure to start with. Is the trouble with the present laws the failure to enforce the law? Take, for instance, the collection of the personal property tax?

A. That is one of the laws we try to enforce. I don't believe in talking of our public servants as being rascals. I think, as a rule, that our public officers try honestly to enforce the laws as they find them.

Q. Take the personal property tax. Is it the failure to collect more or the failure of the people to report more?

A. That might be.

Q. Isn't the present law sufficient? We have a law taxing personal property. You think the State should appropriate more money to the counties?

A. Yes.

Q. If the present laws for taxing personal property were enforced (I assume they are all thoroughly enforceable) there would be more income received?

A. There is the corporations.

Q. Let us take the personal property tax. Have you anything to suggest as to a better method of compelling our people to report the moneys they have at interest? Have you anything to suggest as to how we could increase the present property return?

A. I don't question it at all. I have shown you in the case of manufacturing companies, the appraised value as given by the report of the Secretary of Internal Affairs, and the value upon which the counties are——

Q. How can you enforce the present laws more effectively so as to obtain a fairly average return of personal property?

A. Require the stamp of the assessor upon papers to

make the interest collectable, and it will bring forth every dollars.

Q. Have you gentlemen given any thought as to the method of appointing or electing assessors in the several districts—whether they should be elected by the people or subject to local interests, or appointed by the State?

A. We, as American citizens, prefer to select our own people.

Q. Some of the County Commissioners who appeared before us objected to that. They say these men are subject to local influence, and in order to secure their next election, would make trifling returns. We heard them from Delaware, Montgomery, etc.

A. I believe the people locally can select people among them that are just as honest as anyone, and just as capable of making honest returns and assessments. If you require the stamp of the assessor on the paper they will bring forth every dollar. It is always the small fellow that we want to extort more from. When the railroad companies are rated at four hundred millions of dollars, why don't you get after them and compel them to make a proper return of their capital? We are not after the little fellow. We think the people who have their millions of capital should pay as much on the dollar as those who have a few thousands.

Q. You tax trackage, and water tanks, and everything, according to your idea?

A. No, not necessarily. You can simply increase the rate of tax upon the capital stock and the rate of tax upon their gross receipts within the Commonwealth, or, if you can increase it on all bonds, without any change of laws.

Q. The present law does take into consideration all these different elements in fixing the appraised value?

A. The capital stock of a corporation is no measure of the value of the property. Many of these corporations are down for as much as their original capital is worth.

Q. Your thought is to tax their property, independent of everything?

A. Yes, just the same as you tax the farmer.

Q. Are you folks favorable to taxing mortgages?

A. We feel that all classes of this kind should be taxed equally all the way through. When the owner buys a farm and mortgages it, the part the owner has bought and paid for should be taxed to the owner, and the other to the mortgagee.

Q. The theory is that it is taxed to the mortgagee. We were told in Philadelphia that if we taxed the manufacturer they would simply add the tax on the article and the farmer and everyone else would have to suffer it. Take your harvesting machine, for instance, for which you pay one hundred and twenty dollars, when it costs sixty. Don't you suppose the manufacturer added his tax on that?

A. That is taken for granted that when you ask this tax the burden is shifted to somebody else.

Q. Your thought is that if a tax is put upon the manufacturing plants the farmer is willing to take his chances as to the ultimate result?

A. Surely. We are not afraid to meet these people and fight it out if you will give us the opportunity. Tax manufacturing plants as you tax other corporations and personal property. Place sufficient additional tax upon personal and corporate property to bring it upon an equality with the mill rate on real estate, and we are satisfied.

Q. What about taxing other articles that you have not mentioned here that are not already taxed?

A. There are some thirty thousand business enterprises making returns to the Commonwealth. We cannot go behind the records of the Commonwealth, because if we do we are simply guessing at it.

Q. What is your thought as to appropriations of money to institutions not under control of the State? There is a very large outlay in this connection?

A. It is a large outlay and it is a source from which cities absorb a surplus from the State Treasury. The people in the country have no hospitals, scarcely, to draw money from the State for that purpose. It is true that certain hospitals will need certain assistance locally, and we think as a rule it is no more than charitable to take care of the unfortunate. But here is the condition that is not just. Take the great railroads and manufacturing plants; they furnish more people for the hospital than all the other people in the Commonwealth put together; and they should especially pay for the people they main and put in hospitals.

Q. We have listened to very eloquent addresses of gentlemen who say land is the only thing that should be taxed?

A. Yes.

By Mr. Moyer:

Q. What is your thought regarding the tax on other natural resources? For instance, take coal?

A. That question has just been decided by the Supreme Court of the United States in Texas gas. They put a gross income tax on their oil wells. It was carried into the Supreme Court, and the Supreme Court permitted the Commonwealth of Texas to levy a gross income tax on oil wells and gas wells. You could do the same with mining companies.

Q. Is the Grange in favor of placing a tax upon coal?

A. Yes; a gross income tax.

By Mr. Brown:

Q. About taxing inheritances, Mr. Rhone—direct inheritances—what is your thought upon that subject?

A. I am not sufficient of a lawyer to know whether that could be done.

Q. Whether it should be done; whether it is advisable to do that?

A. I think we have had laws on the statute books of the State to the effect that men of means of the Commonwealth leaving large amounts—over a certain amount—are liable to taxation for State purposes.

Q. Now, as to the question of assessment, Mr. Rhone, does the——

A. The assessors never asks the question, "What does your farm bring in?" That question we are never asked; they come on your farm and appraise it at what they think it ought to be assessed at.

Q. What is your experience of the fairness of these assessments?

A. That is a question upon which there has been a great deal of discussion. No doubt some assessors will show favoritism to their friends. In my experience, there is no gross discrimination as to farmers shown. Take my farm and that of my neighbor. They are about the same number of acres and are assessed at the same valuation.

Q. Have you made any inquiry as to whether or not this same spirit has been shown respecting the taxation of personal property?

A. I do not know that it is not.

Q. As far as your experience goes, there has been no preference shown an individual?

A. No, there is more discrimination in the valuation of real estate in cities than there is in rural communities, because in rural communities everybody knows what his neighbor's property is assessed at. In the city a whole block may be assessed lower than another block and nobody knows it but the officers, and if they are a party to it, of course, they will not reveal it. We have more discrimination in cities along that line than we have in the country.

By Mr. Moyer:

Q. From your experience, do you find that the general run of assessors in the rural districts or communities do their duty?

A. Yes; and I don't think there is a better business man or farmer in Center county, where I live, than the assessor of our township. I believe he is conscientiously honest in the transaction of his business.

Q. That is, the assessors of your county, so far as your personal knowledge is concerned?

A. Yes.

Q. The testimony before this Committee has been to the effect that the assessors have been wilfully neglectful of their duty. That has been very strongly brought out.

A. That is along the very line of the County Commissioners driving after the small fellow. Why don't you drive after these large corporations?

By Mr. Brown:

Q. You would not call a man who has fifteen, twenty or forty millions a small man, would you?

A. No, sir.

Q. Suppose you were told that a man who has ten millions of personal property was omitted by the assessor, what would you say?

A. I would say the assessor certainly grossly neglected his duty and would be liable to be arranged before Court.

By Mr. Boyer:

Q. The testimony of the County Controller of Lancaster was to the effect that in that county about five millions failed to be returned at all for the purpose of taxation?

A. That might all be.

Q. Where would the fault lie?

A. It might lie in two places, one the local assessor and the other the County Commissioners. The County Commissioners might indicate to the assessors what they wanted them to do. The assessors, who depend upon their political support, are simply influenced by these interests.

By Mr. Brown:

Q. What means would you suggest to compel these people to pay the tax on their moneys at interest?

A. Put the assessors stamp to it, and then they can collect the interest as soon as it is returned. The United States Government did that during the war.

By Mr. Brown:

Mr. Brown: Have the gentlemen of the Committee any more questions to ask Mr. Rhone?

(No further questions.)

HON. GEORGE MOSCRIP, having been introduced to the Committee by Mr. Creasy, addressed the body as follows.

Mr. Chairman and Gentlemen of the Committee: This matter of taxation—of getting equal taxation in Pennsylvania—is one that is affecting the people who own real estate more, perhaps, than anybody else.

One of the methods that has been suggested to help equalize taxation is the passage of an Act to pay the minimum salary for the minimum term in the matter of school teachers. If you remember, a few years ago, somebody out in Erie county discovered an Act that would make all the schools be paid for by the corporations. On second thought, I think the people who exploited that idea, however, found it is not quite a practical thing. But it is a practical thing that we pay all the people who serve every district under a State law. If we should pay the minimum salary for the minimum term, every district would come in in the same way, so that it is a fair proposition.

Now, as to the justice of a law of this kind. If we stop to consider, we believe that all property should help to support the common school, and the owner of corporate property has exactly the same use of the schools as the owner of real estate; yet, in the State of Pennsylvania, the real estate people pay mostly all for the support of public schools. For instance, for the last year—the year ending June 1, 1909—the entire cost of the public schools for the year was \$38,523,925.39. Now, then; the corporations whom you have been told have over seven billions of property, paid $7\frac{1}{2}$ millions of that thirty eight millions and the real estate people paid the other thirty-one millions. Now then, these people have exactly the same interest in the common schools that the people on the farms have. The share of the State tax of the cities and boroughs is about forty millions—the owners of the farms

about thirty millions; that makes up seventy millions of this property that goes for the support of schools, etc. Now, suppose we could do something that would regulate this matter so that the corporations would pay more than the seven and one-half millions. Now, then, if we should pass a law making the minimum salary for the minimum term paid for by the State, we would just lift that much money now over the heads of the real estate owners on to the corporations; and then that, anyway, would not be one-half.

I took a little trip up to the State of New York recently, and I found in one district—in one township—in New York State that a railway was assessed at three hundred thousand and for all local taxes. That is a great help to the district. I don't like their entire system as well as I do our own system. In our system the State taxes are divided up and the State revenues are as nearly equal as possible; but in that case, if no railroad was in the township they would have to pay a larger tax. I noticed that in districts where no railroads were the tax was much higher. Where the railroads were, they taxed locally.

There are in the State of Pennsylvania 34,706 teachers. If we should pay these teachers for the seven months—the minimum term—if we should pay these teachers for the minimum term at the minimum salary that would run approximately forty-five dollars a month, possibly in a few exceptions a little more than that. That would take \$10,932,390. Now, in the City of Philadelphia there were 4,457 teachers last year, and their minimum salary is fifty dollars a month, and this fifty dollars a month would mean a revenue to the City of Philadelphia from the State of \$1,559,950. It would give Philadelphia much more money than it is getting now. They get about \$900,000.

There is another phase, and that is this: We have throughout the State of Pennsylvania a good many districts that are unable to maintain the minimum term for the reason that the tax limit is 13 mills and these districts

are so poor that the tax only continues the term of six months. I say this is a shame to the State of Pennsylvania; it is a disgrace to the State of Pennsylvania that we should not give the opportunity of the minimum term to the poorest districts of the State. If we pass this law it will provide for these districts—I know it would. I know the poorest districts of Bradford county would be well provided for.

Now, there is another class of people that the gentleman who has preceded me has told you about: That is the farmer. I know what the city man's idea is of the farmer. They think it is the fellow they meet at the State Fair—at the County Fair, perhaps up at the front. Don't you know that the average country farmer is the fellow who gathers his family about him and pulls his feet under the table? Take any ordinary township, this is the condition. Now, then, the minimum salary for the minimum term would provide for every such district. They would only have to pay the tax for water power, repairs, etc., and the teachers, which is the main expense, would all be paid for him because the salary is the minimum salary in these districts.

Now, could you do anything better—could this Commission do anything better than to recommend that this law be passed that would touch so many people, and so many people who need it? While you are doing this you will be doing good to every citizen in the Commonwealth. As I say, you will give the City of Philadelphia six hundred thousand dollars of State money. Now, when you give to the City of Philadelphia six hundred thousand dollars of the State money, you are doing something for the homeowners of the City of Philadelphia. It was thought at the session of the last Legislature that it would be the proper thing to build a State highway from Philadelphia to Pittsburgh, sixty feet wide. I ask you in all consciousness whether they could not better support a measure that would give their citizens the benefit of six

hundred thousand dollars of tax lifted off their homes? Someone told me that every road that goes out of Philadelphia that is worth mentioning is a macadam road. If that is so, who will be benefited by these roads in Philadelphia? Men who do not own a horse or an automobile cannot get any benefit from it, but every man who owns a home would get the benefit of a law of this kind. I think we cannot do this Commonwealth any more good than by passing a law of this kind, which will touch every county, and, therefore, of proportionate benefit to all the counties.

The teachers' wages in the State were about eighteen millions of dollars, so you see a large share of this thirty-eight millions is for teachers' wages. But you must remember, the State already provides for its schools. They talk about the magnificent appropriations; you can see it all in capitals the way they pronounce the word "magnificent;" but, nevertheless, gentlemen, if we compare the Commonwealth of Pennsylvania with other States, our appropriation is not large; if we compare it with New Jersey, it is not large.

As I stated, seven million five hundred thousand was paid by the corporations and the rest was paid by the real estate owners—over thirty-one millions of dollars.

In the way I have suggested, all the ordinary districts where there is no high school and where they only have the seven months' term, would be well provided for. Where there is a term of longer than seven months, that would be paid for by the local authorities; and where the teachers are paid more than forty dollars a month, that would be provided by the local authorities; so it is manifestly fair. The schools are for everybody, and everybody should share in the expense. I believe this Commission cannot do a better thing than to recommend an equalization in this matter. These schools are for everybody, and all should share in the expenses; and if you pass this law, you go that far toward this proposition.

When the appropriation is made, what should it be for? For some particular thing which touches the few and does not touch the many? Now, in the case of charities, that is all right. When you appropriate money for roads, should it be appropriated for localities, or should the money be appropriated under a State highway law? The State highway law says there shall be money appropriated to every county in the State according to the miles of roadway. Where the money is appropriated, there is where it should go. If it is right for the State to pay entirely for a road for the few of the other counties, isn't it right that they should pay for every locality in the State? That would be a step toward the equalization of taxation.

By Mr. Brown :

Q. All that would require more revenue?

A. Yes.

Q. And that revenue is to be gathered in the way indicated by Mr. Rhone?

A. Now, a word about that. The fact is potent here to every person and to this Commission that seven and a half billions of property only pays about one-third of what is required for taxation in the State of Pennsylvania. They get all the protection of the State; these corporations enjoy the privileges of police protection that is paid for by the State; and yet, you must figure that a little over seven millions of tax is paid by the corporations and the balance of about seventy millions have been paid by the real estate owners. Now, the real estate owners in the boroughs and cities, what do they own? Homes. Is there any income from their homes? None at all. And yet they are taxed in my own county over 3 per cent. in some districts. I want to say, gentlemen, that the matter of just and equal taxation is one of the most difficult matters that has ever confronted mankind in the State of Pennsylvania. Take the manufacturing corporations. But I would like to say

that when you get a Commission made up of men like this Commission, it seems there should be some method adopted within the Constitution to make a concern with a large income pay a large tax. I would like to recite one instance along this line: I think it was in 1897 that a bill was passed taxing all trust companies four mills on the dollar, but at the end of the bill they made a little provision that instead of the computation that it would take to find the actual value of these shares, they could just pay 10 mills on the par value of these shares. Now, a certain trust company in Pittsburgh made its report in 1908 with a capital stock of fifteen hundred thousand dollars; that made fifteen hundred shares at one hundred dollars a share. The surplus was something like twenty millions and the undivided profit was nine hundred and ninety-seven thousand; and the method of computation suggested was that they add the fifteen hundred thousand and the surplus and the undivided profits together and divide by the number of shares and get the value of a share. That is what that would show. If they had followed this they would have paid into the State one hundred and five thousand dollars. But they did not. When a bank can make so much money that they can divide twenty-four millions it is about time they should be gone after. I have no excuse to make for men who do not return their property. The way to tax them is to make them surrender their money for every dollar of it.

JOHN A. McSPARRAN, of Furniss, Lancaster county,
Pennsylvania.

There are three general principles that underlie taxation that we feel are applied in Pennsylvania and which should be remedied by a law on our statute books. The first of these is that the Pennsylvania tax laws are in a class by themselves. They tax what is specified and what is not specified, goes untaxed. It is a proposition that should be evident to everyone that those who enjoy the benefits of government should help pay for the government, and that, as a consequence, all class of property should assist in the payment of the burdens of government; and that, if there are to be any exemptions, those exemptions should be stated in a bill, and that all other property should be subject to taxation. That our laws has a great weakness in this respect has been brought out particularly this morning. As it is to-day, the burden of proof rests, as to that, with the assessor. If a question is raised as to whether or not that particular class of property is liable to taxation, it is up to the assessors to show that it is; and he must have the moral courage, as well as the information, to show that, while possibly not just mentioned exactly, yet it would come under some of the heads mentioned by the bill. If our assessors did not have upon them the burden of proof to assess that property, it would be up to the owner of the property to show that his property came within the limits of that exemption. As a consequence there would be a great deal of work taken off the duties of the assessor in meeting these desired and these attempts on the part of the owners of the different classes of property to escape taxation. This is in operation in other States of our Union. All property is supposed to bear the burdens of the government and is

taxed unless exempted; and it should be so in the tax laws of Pennsylvania. Those that have the exemption that are unconstitutional should be wiped out. Our Constitution reads, Article 9, Section one: "All taxes shall be uniform upon the same class of subjects." Now, our tax laws in Pennsylvania have exempted large associations of capital, etc., by certain laws and they exempted them when they were not specified in the exemptions written in our Constitution. Then, in Section two, it reads: "All laws exempting property from taxation other than the property above enumerated, shall be void." Yet, there are on the statute books of Pennsylvania these illegal exemptions of property as laws of this State. Now, any tax law, no matter how it is constructed, must of necessity observe the constitutional provisions of the State; and yet this has not been done. That is one of the leaks in regard to the collection and equalization of taxation in Pennsylvania. The instance that has been cited with regard to the bank is only another instance that applies along this line.

These great corporations escape these taxes largely because they are large enough and sufficiently well organized to thoroughly enter into the meaning of the benefits of an exemption of that kind, while the small manufacturing concern has the greater proportion of its capital invested in its plant, has spent more upon the ground—often times in the building itself that is taxed for local purposes and the outcome of that exemption has been that the little manufacturing concern of Pennsylvania has been paying more taxation in proportion than the big corporations; and our laws have to say largely just as in the bank question. The little bank that has no surplus cannot take advantage of the exemption; for if it did, it would pay a greater amount than it did under the law; but the large institution can take advantage of it; and the constitution says that taxation shall be uniform on the same class of subjects. There you can easily see that there are great leaks in taxation that are simply outrageous in their injustice.

By the Chairman :

Q. A Judge of Dauphin declared that Act constitutional?

A. Yes, but why was an exemption ever put in there upon which the question of constitutionality would have to be passed at all? If it is right to collect four mills from a little bank, it is right to collect four mills from a bank that does its business by the millions. Why was it ever put in there? The Constitution plainly stated that the tax shall be uniform on the same class of subjects. That exemption was evidently put in there to favor the big corporations, because it could not favor the little one. It was either put in there by mistake or it was put in there to favor the larger corporations; and you can get on which ever horn of the dilemma you please. You take this question of the great capital invested in manufacturing. That capital is oftentimes invested in manufacturing in a place that receives the development that it does because of the gifts of the Almighty to that particular section; as a consequence the development of that business is a natural development of that section. Yet our law enables businesses of that kind that have a tremendous capital, that are doing a tremendous business and have a simply fabulous income, to be exempt from taxation, when they are taking the raw materials that God Almighty has placed in the hills of Pennsylvania and are working them over and charging the people of Pennsylvania and the rest of the world exorbitant prices for these gifts of the Almighty.

By the Chairman :

Q. Why do you suppose that law was passed?

A. If there was any real theory it was perhaps that it would encourage manufacturing in Pennsylvania. But these manufacturers cannot leave Pennsylvania. There was no need for any such condition. Where would they go? The minute they crossed the line of Pennsylvania in

any direction they would not only be up against a State tax, but a local tax also. Now, why would they go out of the State—why would they jump out of one State and go into another that was further away from the raw material and where they would have to pay more taxes? I don't think they could move. They couldn't go into New York; they couldn't go into any State in the Union that I know of except Pennsylvania and Delaware; and they would be crowded if they would attempt to go into Delaware.

Then the proposition is that corporate property should be taxed upon its value. Now, this is the principle upon which the farmers of this county are taxed. The question arose a while ago as to whether or not property mortgages should be taxed; that it made a double tax upon the same money. Any man that goes into business and borrows money, does it with the idea that he will not only make enough out of that money to pay the interests on it, but he also expects it to be an asset in his business; and as a consequence it is not a double tax entirely upon the money, because there are two profits there; it has two earning capacities—one for the man who loans the money, and it is supposed, also, if the borrower uses good business sense, he borrows with the idea of making for himself an increment also. The great injustice is not from the fact that the farmers of Pennsylvania are taxed double, or rather those who borrow money are taxed on the mortgage indirectly, but it is from the fact that from any other business in the State that borrows immense amounts of capital that in the determination of the value of the capital stock that that tax is subtracted. For instance, if a railroad owns four millions of capital stock, its bonded indebtedness is thirty-nine hundred thousand; under the present law it is at the discretion of the Auditor General who can take into consideration the value of the stock. He may deduct that whole thirty-nine hundred thousand dollars from the four million which will leave one hundred thou-

sand, when the value of the plant is four million. Now, there is the rank injustice of the whole situation. When they come upon the farms of Pennsylvania and assess that farm they get the property value of that farm without any regard to how much money that farmer is bringing in on his investment, without any regard to how much capital that man may have buried. They simply take the value of that place as nearly as they can upon the basis upon which they are levying the assessments. When it comes to these immens corporations, they carefully consider these things and give them the opportunities necessary to procure these advantages that come from the finding out of the value of the capital stock.

Now, in Pennsylvania, steam railroad companies have an aggregate appraised value of capital stock, funded debt, current liabilities reported to the State, \$4,456,455,599. There is a four mills tax upon the debt and eight mills upon the gross receipts. That ought to bring into the State somewhere between four and eight mills, when the facts of the case are that it brings in two and eight-elevenths mills. That is a leakage that is simply beyond all reason and beyond all defense. There is no reason why that tremendous amount of property should not be so handled that it would give somewhere near the amount the law expects of it. It is entirely too little. It does not bring out that which the law says it should bring out. The reason possibly is this: The value of these corporations is gotten from the Secretary of Internal Affairs. These corporations make a return to the Secretary of Internal Affairs upon the value of the corporations; but when the authorities come to assess the taxables of the corporations, then these figures are put up possibly by a different set of men for that purpose, and, as a consequence, there is a different report made when the question of tax is raised from that which is made when the Secretary of Internal Affairs asks the value of the property. Then there is another thing—take a bond held by interests not within the

State. It is at the same time a part of that property or a part of the working value of that property, and while you may tax the bond that is held by some other foreign country, you cannot allow the value of that bond upon that property as a part of the value of that property. That property can pay it just as the farmers pay it. They don't come to the farmers and ask where that money is held, whether or not it is within the confines of the State. It is simply a question of arriving at the value of that property and then putting the valuation upon it. It should be so in all classes of property, in all affairs, and it is to make manifest these general complaints that we want to place this system before you to-day, and for which we are making our argument. That there may be a general uniformity in the whole tax system of Pennsylvania of such relation to the property of the State that the burden of proof will not be thrown upon the officer of the law, but that it will be thrown on the property owner to show what he has and what should be taxed and what should not be taxed.

By Mr. Brown:

Q. You would tax the gross value of these corporations? That is your thought?

A. Yes.

Q. That is what the law contemplates now. Your complaint is that it is not fully carried out?

A. That is my complaint.

Q. You would exempt the bonds and other evidences of debt from taxation, and compel the corporations to pay a tax on all its assets of every other kind. That would include assets by money raised on bonds. In that case you would not tax the same bond?

A. No. It would also be fair that where the returns of that property are locally taxed, that the assessment they pay for local tax be deducted from the gross.

Q. The Pennsylvania and Reading Railroad companies do that?

A. Well, I see different authorities on that.

Q. We tax the Pennsylvania Railroad in Philadelphia for everything except the water tanks and road-beds?

Q. What law do you do that under?

A. A special Act of Assembly.

Q. Was it earlier than 1899?

A. Yes, before that; Act of 1859. Your idea is to tax every one locally throughout the county?

A. Not necessarily locally.

Q. Your thought is that the appropriation should come back to the county?

A. Yes.

By the Chairman:

Q. What do you think about county option? For instance, public utility corporations to tax real estate; should that be optional?

A. I don't see why. It is not optional with the farmer, and why should it be optional with these concerns that are making large percentages. You can get money to go into these things quicker than you can get it to go into the farms of Pennsylvania, and if these people can get this money—borrow by the millions or tens of millions, why is there any reason that they should come to the people of Pennsylvania and ask for option on the question of taxation? Taxation is for the support of the government in which every man, woman and child and every class of people are interested. There is nothing exempted from the benefits of government. Why, then, should they ask for any exemption. The tax law simply says we need so much money from the State and they should get it in a uniform way. That is what we are here to-day for, to get rid of these specialties—to get rid of these deficiencies in the law. Our own township officers never raise the question, they—

Q. The authorities assess your farms a great deal higher than they do in the towns; is that true?

A. I think, possibly, it is.

By Mr. Brown:

Q. These folks argue they are producers, that they employ hundreds of people and these people spend their money buying from the farms and help increase the value of the farms?

A. Well, that is true; but when you talk of the question of production, then we have the floor absolutely. The American farmer produces more than all the corporations in the country. There is no productive class like the farmer.

By the Chairman:

Q. There must be people provided to take the farmers' products?

A. Yes, but there is no reason why provisions should be made so that they get all and the farmers get nothing to raise his crops. They take from the farmers—the very people who produce these things for the people to eat. There is a gas company that claims an exemption as a manufacturing company, while an electric light company has to pay a tax. There are two rival companies—light and heat—yet one is taxed and the other is not.

Q. I imagine that is because the gas is used so much as a fuel?

A. No more than electricity will be.

Q. Prior to the time electricity was discovered—I imagine no man in his sane mind could say to-day that gas companies should pay their pro rata share of the tax. The reason for that is, no doubt, that it took the place of coal for heating, etc., before electricity was discovered and that was probably the reason why the law so indicated?

A. Well, of course, I would not attempt to say what the reason was.

By Mr. Brown:

Q. We have had one or two single tax advocates that have advocated that land should be taxed for all State pur-

poses for State revenue and it should be left to the counties to tax any property they saw fit. You must tax land for all State purposes and allow the counties the right to tax anything for all purposes. That permission would also give them the right of exemption also from county purposes?

A. Mr. Creasy, my study has developed that Pennsylvania is considered by tax experts to be the furthest advanced in the system of taxation, from a viewpoint of fairness, of any State in the Union. How does it appeal to you?

By Mr. Creasy:

Well, we get more money from personal property and money at interest than any other State.

JUDGE A. W. DENNISON, Pennsylvania State Grange.

Mr. Chairman and Gentlemen of the Commission:—I was asked by the Master of the State Grange this morning to sort of wait until last and pick up the odds and ends. I noticed when the rest of them got through with the argument that there was not very much odds and ends to pick up. I had jotted down a few items that I thought I would call your attention to, and one by one I have checked them all off until they are all marked off.

As I understand the scope of this investigation, you are to consider and then make recommendations to the next Legislature as to what laws they can pass within the Constitution that will tend to equalize taxation; and you cover several different subjects. One is the formation or creation of corporations.

Representing the State Grange and the farmers and the laboring men of the State of Pennsylvania, I would not care to go into a discussion of the question, except to say that there is no antagonism by the farmers against the creation of corporations, or, I may say, the creation of a trust, provided that they will obey the laws just like you ask a private citizen to obey the law, and that they will not use the great power that the great combination of wealth gives them to take advantage of the small interests and the private citizens of this Commonwealth.

That subject would be treated, perhaps, in the second scope of your investigation, which is the regulation of corporations. How you should regulate them under the State laws. Because it is clear that they have no existence until they are created by the Legislature; and the same power that creates them can regulate them.

The thing that interests us farmers and laboring men of Pennsylvania, so far as you tax corporations and the subject of their taxation, simply relates to the question of equal-

ization of taxation. Now the State of Pennsylvania to-day sets aside practically seven billions of dollars of the wealth of this Commonwealth and says to the localities, "Keep your hands off that!" They say, "We'll tax that exclusively for State purposes." "We will not only tax that seven billions which your localities cannot touch, but we will come into your county and tax every writ that is issued, every will that is made, every deed that is recorded." And they say to the localities, "Keep your hands off; we'll attend to this." Then they took the license fees of wholesale and retail liquor dealers, but have recently said we could have some of this, and so we get some. Now, in doing all that, they raise something like twenty-five millions a year. They say to us localities that we can take about four billions of real estate and tax it for local purposes, and we can have the retail liquor license fees; and in the State we get about two and a half millions out of that. They say we can tax mules and horses, and we get something like a half million out of that. Then they say further, we can tax occupations, salaries and emoluments of office, and we get perhaps nearly two and a half millions out of that. On that four billions from the real estate we collect seventy-seven and a half millions for use locally. Then the State steps in and they raise so much off their seven billions that they cannot possibly spend it. They give some back again. They even give us something to run our hospitals all over the State. But it is apparent to you at once when we take eleven billions of dollars worth of property that is assessable in the State of Pennsylvania, to take and set aside seven billions out of the eleven, while sixteen to eighteen millions is what they raise from other sources, and then take four billions and raise seventy-seven and a half millions, there is some gross inequality. There is something wrong somewhere. Now, that is what the Grange asks—what we believe to be fair and right; that some change be made—either by saying to these localities that they can tax some of these enterprises, or, if you maintain the sys-

tem that you have, that you try to put them on an equality so that the farmers and the home owners need not pay a much higher rate than the other interests. I will submit to you that the interests that only pay an average of three mills make their money much easier than the home owners who must pay on an average of eighteen mills—six times as much, and money harder to get.

The next question is, how will you do that? If you do that you must raise more State revenue and appropriate it in such a way as will relieve local taxation. There is no other way I know to do it. How would you raise more State revenue? We have a school house in our township, and as a member of the School Board I voted to raise the levy five mills. We had to do it. I didn't do that because I have any antagonism against the taxpayers, or because I wanted to wrong the taxpayers of our township, because my own tax was included in that; but we had to have money, and the only way I knew to do it, was to raise the levy. The same thing can be done in the levies that we make against the corporations if you propose to pursue that policy. The township School Board makes a levy for school purposes. The County Commissioners make it for county purposes. The Legislature fixes a rate of levy for State purposes. That rate of levy has been fixed at various amounts on personal property and on banks at four mills, and on other corporations at five mills. If you are going to raise more money it seems to me that you must raise your levy. I don't see any other way to do it. Now, another thing I want to call your attention to if you pursue that policy—that you will watch that money very closely, or you can never get it to where it will be of any benefit to the local taxpayer. You will find out when you get it to the Legislature that there is a great many things ready to reach their hands in and get that money. They will think the State officers are not paid enough salary; they will want to get a little more for that. They want a public park; they will want money for that. They want a road from Philadelphia to Pitts-

burgh; they will want money for that. And from some letters I have gotten from the Good Roads Association, I think they are trying to get all the money they can and put it on the roads. So the danger of this system lies in the fact that you will have to make some special effort to keep that money within the lines that you contemplated when you started out, and put it in such a place that it will surely lower local taxation.

Now, it seems to me that the Grange has suggested a good way to do it. In the first place, as Brother Moscrip suggests, the minimum salary for the minimum term of the school teacher. Then another good way would be to go into the road districts and appropriate enough money to pay for one-half of the repairs on the roads not to exceed twenty-five dollars per mile in each road district. For instance, if there is one thousand dollars to be spent on a road, let the road district raise five hundred of it and the State raise five hundred. Then another way in which they could help the localities would be to let the State build and maintain and repair all the macadam roads and stick to the policy of putting them in every county. I was told last session down there what you fellows got to do that on. Then there is another way to lessen local taxation, and that is permitting the counties to retain every dollar in the county that they collect there. I mean by that, on personal property and licenses.

By Mr. Brown :

Q. Where would the State get any money?

A. The State under the present laws would get all except about five or six million dollars that it gets now; and if you raise the rate of levy that would give it much more. When I speak of the counties retaining the tax, I am not speaking of the capital stocks; I am not speaking of the tax on bonds; I am not speaking of the tax on gross receipts; but I am speaking of the tax on personal property and the licenses we collect in each county. In the whole State of

Pennsylvania, it would amount to perhaps four or five millions of dollars. We collect now something like nine to ten millions of dollars, and the county retains three-fourths on the tax of personal property. What we advocate is that we retain all of it and that we retain all license fees, mercantile and otherwise. There is nine or ten million raised in the counties that way, and we are only asking that the counties retain the balance of it.

By Mr. Moyer:

Q. Some reference has been made to the fact that the State is not a good housekeeper. What assurance would the State have, under a law of this kind, that the county would be a good housekeeper?

A. Well, I will say to Brother Moyer that my experience is that you will find just as much honesty in the country as you will find in the cities; just as honest officials in the country as in the cities; just as honest officials in our court house as in the Capitol building.

Q. The inference has gone forward that the moneys of the State are not wisely expended; that the officials who have charge of this money are not doing their duty.

A. Well, that appears to be true. But I see no reason why the counties should not have a chance to spend the money or steal a little of it if they want to the same as the State officials have to spend or to steal millions. As to that matter, I am a good deal like Mr. Rhone. I think a big majority of the people of the capital building and a big majority of the people of the counties are absolutely and strictly honest. But I also believe that in any building, in any county, in any State, that there are a few thieves who try to crawl in there and get hold of things, and if the people permit them to do so, they are liable to suffer. But because they do that, there is no reason why a general charge of dishonesty and incompetency should be put up against the balance of mankind who try to be honest and try to do right.

By Mr. Brown :

A. I think that the status of civic integrity is higher in Pennsylvania than any other State in the Union; as high at least as any State in the Union, and I think we should all appreciate that and take it at one hundred cents on the dollar.

Mr. Moyer :

Q. You would be in favor of the paying of this money over to the Commonwealth and then having it returned again?

A. No, sir. The only reason there could be for that is that the State might perhaps be able to get a better report, a more uniform report, or maybe get industries reported that might not be reported in the county; then, the county might afterwards be able to get hold of these interests and corporations within the State. So, I agree with you there. Now, there is one thing I realize; when you commence to talk about that you will strike a very delicate question. That question is, "Shall we tax manufacturing corporations in the State of Pennsylvania?" You are all cognizant of the fact that the United States Government levies a tariff on all manufactured articles, and we all know and realize it; we believe in it and we defend it; but we know positively and absolutely that the manufacturers are the only ones that receive any benefit from it directly. The protection enables them to sell their products without competition from cheaper stock so they can get a higher price. I may say further that we believe in our corporations; the State could scarcely do without them. But we believe in the homes; we believe in our farms. We believe in railroads and all other corporations, in that manufacturers hire men, they employ labor; and the railroads employ labor. So do the farmers employ labor when they can get it; but they cannot get the best men because these corporations that we are favoring step in and say, "Come down and work

for me and I will give you lots better wages than that farmer can pay."

By Mr. Brown:

Q. Suppose the manufacturing concern who seduces the farmers' employes does not pay 3 per cent. of the money invested in the corporation, would you be in favor of taxing that corporation?

A. Under the Constitution of the State of Pennsylvania I would tax that corporation just exactly the same as I would tax a corporation that is engaged in the iron and steel business in the State of Pennsylvania, that make millionaires out of almost every man that touches their stock, because the Constitution says that the tax shall be uniform upon the same class of subjects. We have farmers in our locality who, for some reason or other, cannot make both ends meet. They don't make 3 per cent. or any other per cent., and can scarcely clothe their families; yet we make them pay their taxes just the same as the home owner or anybody else.

Now, there is another thing to be considered and that is, if you tax them, at what rate will you tax them? The same rate you tax other corporations, or the rate you tax banks, or a lower rate?

At the last session of the Legislature, I introduced a bill doubling the rate of levy and requiring manufacturing corporations to pay the same tax as other corporations. If I invest my property in a farm, or in a manufacturing corporation, or in a bank, or in anything else, I should have a perfect right to get the same treatment under the law, and should pay the same rate of taxation, no matter where I invested the property. After a more extensive study of the question, I became convinced that this would raise an immense amount of money, more than would be necessary to equalize the rate between corporations and individuals, and I secured an amendment to the bills in the Ways and Means Commit-

tee, so as to provide for an increase of one mill upon the rate now in force and one mill upon the capital stock of corporations—manufacturing corporations; exempting them from the assessed value of any part of their property which would be subject to local taxation. For instance, a corporation having a capital stock of one hundred thousand dollars and twenty-thousand so invested in real estate as to be taxed locally—take the twenty thousand out of the hundred thousand, and only tax them on tee eighty thousand, and one mill on that. These bills as amended were reported out of the Committee, but were recommitted for argument.

Mr. Brown:

Q. Your figures would bring to the State a little over a quarter of a million?

A. Just the manufacturing corporations?

Q. Yes.

A. Yes. These bills would have brought about a seven million dollar increase. It seems to me something of that kind ought to be done.

By Mr. Moyer:

Haven't the manufacturers of the State of Pennsylvania declared their willingness to pay a one mill tax?

By Mr. Brown:

That is, provided the State requires more revenue.

By Mr. Dennison:

That is exactly the bill I had in the Legislature. That will explain a question that was asked Mr. Rhone by Mr. Brown. I believe you stated that someone had fixed the value of manufacturing corporations in Pennsylvania at three billions of dollars?

By Mr. Brown:

Yes.

By Mr. Dennison:

Now then, the value that Brother Brown must take is here from the report of the Secretary of Internal Affairs. It is requested that they report in the industrial statistics. In 1907, I think, twenty-two hundred corporations reported out of a total of seven thousand. Thus it was a little less than one million, and you can readily see why they reported that much, when, at the same time, where is the billions in this? I would not be surprised to know it was a whole lot more. I think if you will levy a tax of one mill on manufacturing corporations and turn it over to the Auditor General, or State Treasurer, and they would issue a report, that we could find out something about the value of these manufacturing corporations, and then, instead of raising a million, we would possibly raise three or four. You cannot tell.

By Mr. Brown:

Q. That ought to raise about three millions?

A. Yes. Now, there is another thing that was discovered and which I have had in mind for some time and that is the illustration of a certain trust company in Pittsburgh. It is the clause at the end of the law that says they can pay the ten mills on the par value of their capital stock that permits the large banks to pay so little tax. I particularly make the illustration that they paid fifteen thousand on about twenty-six and a half millions of dollars of capital or actual value, and if they had paid the same rate that an ordinary bank pays they would have paid one hundred and five thousand; and if they had paid the same rate that the county taxpayers do, they would have paid six hundred and eighty thousand dollars. And they paid fifteen thousand. Now, I fully grant you that the Supreme Court declared that Constitutional, but I believe that if it was my case, I would ask for a referee.

By Mr. Brown:

Q. That does not exempt them from taxation on their bonds. It only exempts them from local taxation. I cannot understand how they got off with fifteen thousand. They must have had a peculiar line of securities.

A. Let me call your attention to the fact that they pay local taxation on their real estate, and they didn't pay another cent of local taxation, and when they paid that fifteen thousand dollars on their capital stock they included the whole twenty-six millions of dollars; and they didn't have to pay another cent.

Q. The local assessor should have gone after them.

A. The local assessor has nothing to do with the case. The only thing the local assessor can assess is the real estate and the bank building. That is all the local assessor can assess. When you come to assess the capital stock or to assess the indebtedness, the State says to the local assessor: "Keep your hands off; we will take care of that." They pay ten mills on the par value of the stock and the State does not ask them to pay more. But, understand, this is a trust company. They reported in 1908, in the Bank Commissioner's report, something like \$36,000,000.

By Mr. Brown:

Q. The ten mills does not release them from local taxation. The trouble is the local assessor does not go after the four mills tax.

A. I want to call your attention to the fact that the whole banking law provides that they shall pay four mills on the value of their capital stock, to be ascertained by adding the capital stock, the surplus and undivided profits; that when they pay four mills, the law says they are exempted from local taxation except upon their building, and says identically the same thing when they pay the ten mills—that they are exempted from local taxation.

(Reads banking law, and instructs stenographer not to put in the record.*)

By Mr. Brown:

Q. The assessor should say what is paid and what is not paid. There ought to be a way to check it up.

A. I have nothing to say about the duties of the local assessors and whether they are performed or not; but I do say this: I would have those gentlemen pay the four mills on the actual value of their stock by adding it all together. If they pay the ten mills, they pay it on the par value of the stock. I am talking about money going into the State Treasury: Even though the Supreme Court has decided that to be constitutional you will agree with me that it is neither fair, just or right. While they may have a right to do that under the Constitution, I shall ask the Legislature to do what is right and just, even though they have a right under the Constitution to do an injustice.

By Mr. Brown:

Q. That comes back to the tax on the actual value of their property?

A. There is another thing I want to call your attention to. This is not a new question. The people have been after this for years. There was a time when the Republican Party did not like things, and they called a special session in 1906 and perhaps you were a member of it. They recommended the Governor to issue another call in order to permit them to take up four different subjects, and one of them was the return of all personal property—but I will read to you:

First. To provide for the retention by the respective counties of this Commonwealth of all personal property and license taxes now paid by them to the State.

Second. To enable trolley roads in this Commonwealth to carry freight.

Third. To provide a system of taxation in this Com-

monwealth that shall be uniform and equal on all classes of property to the end that the railroad companies shall pay the same tax on the dollar of value as the farmer, the business, the laborer, and the mechanic.

Fourth. To revise and reform the general election laws of the Commonwealth. This resolution was vetoed by the Governor, giving as his reason that while of interest and importance, they were subjects for general Legislation and could be better presented at a regular session. The Legislature has been repeatedly asked to do these things, but, I suppose, perhaps, because it is easier to let the thing run along than change it, they have not done it. The Legislature can afford to be fair and just to its citizens, and when you do that you have their respect and you have their support. It seems to me that now the time is ripe, now that this Commission has been formed, to rectify these wrongs, and do justice between the citizens of the State and the corporations of the State. In making these recommendations, we are not asking for charity; we are not asking for special favors; we are simply asking for Justice and a square deal.

By Mr. George Moscrip:

A gentleman in Tioga county asked me to submit this proposition to your honorable body: They have there a building known as "Merker Block." They have incorporated and say they have to pay a local tax on Merker Block, and have no use for it for manufacturing purposes or any other purpose. I didn't know whether you had heard of this case or not. The point is whether it is just to impose a tax on the case of this concern. I think the rate should be nominal. They pay twenty-five and one-half mills.

By Mr. Brown:

Mr. Creasy, what is your thought upon taxing manufacturing corporations? You have had quite an experience. Do you think that would have an injurious effect upon the State revenue?

By Mr. Creasy:

I think the manufacturing corporations, as a rule, would submit to a tax of one mill, because it is evident to all these big interests that are interested in the betterment of Pennsylvannia and its schools and roads, that we must have more revenue. I believe they would not object to a one-mill tax, provided it was economically spent, and distributed with good judgment. For the purposes of building better roads, I think the manufacturers would reap a benefit indirectly that would more than compensate the amount paid.

Mr. Brown: There is no doubt of the general sentiment in Pennsylvania for better roads.

Mr. Creasy: That is why we are speaking of distributing this money to these counties. It would put at least forty-five hundred men to work making good roads. We believe these forty-five hundred men would build more good roads in ten years than the State could by the very best management in twenty or thirty years. We are all interested in good roads. The township authorities could fix up these roads a great deal cheaper than the State could. Let the State take hold of the macadam roads. These roads come through our townships and our people are not able to take care of them, because the township is too poor to take that up.

Mr. Brown: Do you figure in your assessment of additional revenues the need for additional State institutions for the care of insane men and women. From letters received by us, there seems to be a need for more institutions of this kind.

Mr. Creasy: I think one thing should be changed and that is this: Whenever a plan is perfected to build an institution, it should not be allowed to run along for years before the Legislature appropriates sufficient money to complete the building contemplated. I think every Legislature should appropriate the money to finish its own

buildings, so that the next Legislature would not be hampered by appropriating money that should have been appropriated by the former Legislature.

Adjourned until two o'clock.

Public Meeting, Williamsport, Pa., April 8, 1910.

AFTERNOON SESSION.

Meeting called to order at two o'clock P. M., present as before.

McMcLaren: I enjoyed the talk this morning, and I thought we had a lot of good speakers on the subjects I did not know much about.

By Mr. Brown:

Q. What other defects have you noticed in the present law as to the collection of personal tax?

A. I think the law is a good one. I believe the greatest difficulty is in enforcing the law.

Q. What do you do to check up the returns of the assessors? Do you give your guide books to the assessors?

A. No. The assessors are furnished with all the information we can get. That is, the judgments and mortgages from the records here.

Q. You give them the blank returns the Auditor General furnishes?

A. No, the blank returns are delivered first by the assessors from house to house, and everybody is supposed to make the return, whether they have anything or whether they have not. If they have not, of course they state that and swear to it. They don't all do that, however.

Q. What check do you put on the assessors? Do you make them account for every one of these returns you give them?

A. No, we haven't.

Q. For every blank?

A. No, they are just given to them. The State sends us a great many more than we need, and we have not been, in fact, very careful as to how many the assessor gets.

Q. You depend entirely on the assessor for the returns?

A. Yes, sir.

Q. Do you ever do any investigating to ascertain whether or not the returns are correct?

A. Yes, we have in some instances here, we have imposed the penalty in a number of cases. If the assessor comes in with knowledge that seems to be substantial, we have imposed the penalty, and I find that if that is done pretty generally the people, of course, eventually will come in. When the penalty amounts to as much money as they have out at interest, of course, they are coming in then. Now, we are doing that.

Q. What do you do to reach moneys on deposits evidenced by certificates of deposits in your trust companies and banks?

A. Well, I think the assessors have just been relying on the individuals to tell them the truth.

Q. How would it do to have the banks and trust companies to make a return of all the moneys at interest?

A. I think that would be very good. I think it would help the assessors and the county.

Q. Have you any idea of the amount of personal property in this city that does not pay any State tax?

A. No.

Q. Do you think it is a considerable amount?

A. I wouldn't be surprised but what it is.

Q. What is the sentiment here on the subject of taxing manufacturing corporations? You heard our friends, the Grangers, this morning?

A. Yes. In fact I never heard that discussed at all.

Q. Have you heard the taxpayers suggest any other subjects of taxation?

A. No. I have heard suggestions of probably some improvement on the system of the assessors. In fact, I have got two or three ideas of my own.

Q. What are they?

A. Well, now, the first one, of course, I don't suppose it would be constitutional, but if it is you probably have heard of it before, and that is to make every person his own assessor. Of course, this would have to be worked out and graded, because if it were not the big property owner would have it on the little fellow every time, as he usually has. Now, this is just as a suggestion. You are sworn and you make your own assessment. If, within sixty or ninety days, or any period that your Legislative Committee or any Committee who might have that in charge, say within ninety days, if he is offered a bona fide offer of cash within ninety days after the assessment, with possibly 10 per cent. added, he has got to sell.

Q. Some States have that now.

A. I did not know that.

Q. For some kinds of property.

A. Of course, the big fellow would have the advantage of the little fellow, because lots of people would buy homes ranging from five to ten thousand dollars, and they could get that for them, and manufacturing establishments in the city would not have as many mortgages.

Q. What is your feeling about the character of the assessors you would get under the present system? Do you think they fairly assess the property?

A. The system is not very good at the best. The whole system, it seems to me, is not good. Here is another idea I have, for the county to elect three county assessors, we have three city assessors here, and I believe they could more nearly get the correct value of property than having an assessor in every township in the county. Of course, it would take three assessors or five assessors possibly a year or more to get over the county to do the work in the beginning, but after we have it once done I believe three good men would come nearer to equalizing the values of property a good deal nearer than under the present system.

Q. Do you think that you would get better assessors by

having them appointed by the Judges than by electing them?

A. Elect them as we do here. Let the people elect three county assessors, and let the people of Williamsport elect three city assessors for city purposes. If it operates well in the city, why not in the county?

Q. What amount of personal property do you return here in the county from Williamsport, can you recall?

A. You mean as compared with the county outside of the city?

Q. No, how much in the county?

A. I cannot state that, I forget just what that is. You mean personal tax?

Q. Yes.

A. I am afraid to make a statement. In the county, you mean?

Q. Yes.

A. I do not know. Twelve or fifteen or sixteen millions, somewhere along there, it seems to me.

Q. Do you think the present laws are all right, only they need greater enforcement?

A. Yes, I think the greatest difficulty is that the laws are not enforced. I think the present system of having a different assessor in every township is bad. They are often under the influence of one or more men, and sometimes the assessors are honest and their judgment is poor; they may be honest but have very poor judgment.

Q. What about their compensation. Don't you think if you paid a little more you would get a better qualified body of men to do the work?

A. In the townships?

Q. Yes, sir.

A. I don't believe that would make much difference in the townships. I have another word. As I understand the business of this Committee is to——

Q. The thought is that if you are not justified in spending the State's money for certain purposes, you are not justified in collecting it, not to pass upon individual cases or anything of that sort.

A. What I am going to mention, we are troubled with people coming in sometimes every week, sometimes almost every day, wanting to know when we are going to pay bounty. It seems to me that if the State has a bounty on certain noxious animals and that is to encourage the killing of them, then it seems to me we ought not to depend upon appropriations to pay them. It seems to me the Commissioners of all the counties ought to have the right to pay as they go along, and send their report to the Treasurer once a month or once each quarter. I tell people I believe the Committee at the next session of the Legislature will appropriate enough money to do it. That is all I can tell them. I try to keep them in a good humor.

Judge W. B. Crocker: As a lawyer, I may state, from the principle, I can see no reason why surplus income should not be appropriated, a portion of it, for public and social purposes, as well as the surplus income of private corporations or individuals, but the State Supreme Court decided that an income of 6 per cent. was not an unreasonable income. It would amount to about the same thing. * * *

I do not see why public service corporations are entitled to any more consideration than any others.

Q. Have you in your mind any company earning over 6 per cent. today?

A. Oh, yes. One water company I represent earns, I think, today $7\frac{1}{2}$ per cent.

Q. Have you allowed for betterments there at all?

A. We do not deduct wear and tear, because there is not enough wear and tear in the present system, but whatever wear and tear there is we charge to expenses, and there is some goes into our sinking fund.

Q. Is that allowing for addition development, too.

A. We charge that to improvement or maintenance account whenever we make extensions, and they are not very heavy, sometimes not over three hundred dollars a year.

Q. How could that be determined unless you had a public utilities commission, or something of that kind, to say how you should keep your accounts and should be appropriated for one and what for another?

A. There wouldn't be any objection to that. If it was done uniformly that would be the way of arriving at it. One thought occurred to me in listening this morning, and that is on the question of local taxation, of taxing mortgages as well as the land, or else deducting from the assessed value the market value. I do think agricultural

lands are taxed more in proportion to their actual value than larger and more valuable holdings of real estate.

Q. That is the fault of the assessor, it is not the fault of the law?

A. In a sense it is the fault of the assessor. The Act of '95 tended to equalize assessments in Williamsport. We increased the valuation by half a million. We found the sentiments of the assessors was that the interests of those owning these properties and engaged in business connected with them could not stand higher taxation, so that it was a matter of what you might call financial sympathy, but three years ago the assessors were instructed to assess the lands and the buildings separate, and the result was that we increased our valuation from nine to thirteen millions, and at the same time the tax rate was lowered three mills, so we got the same revenue, but it does seem a hardship to make the mortgagor pay the tax on the real estate and also the four mill tax upon the mortgage.

Q. Of course, the theory of the law is that he does not pay the tax; the land owner pays that.

A. Under that tax law, if you remember, a great many arguments were made about imposing a State tax upon the mortgagor. I think practically that is the result of it.

Mr. Ryder: I just want to speak on State roads, but, as I understand it, this is on legislation for roads and everything else. It sort of made me laugh this morning when I heard the gentleman ask whether we believe the State a good housekeeper or not. I think the State is the best housekeeper in the world. We have grievances up in this section of the State. I suppose they have them all over the State. We are led to believe that we get so much money from the State, so much in repairing roads, and when the time comes we don't get it. Now, our township, is a case——

Mr. Brown: This Committee hasn't anything to do with this.

Mr. Ryder: Are you working on legislation.

Mr. Brown: No, only on the formation and regulation of corporations, and revenue for State purposes. I assume if the State can she ought to help out in the building of roads.

Mr. Ryder: We believe in State aid, all right enough, but we believe in getting it, but we don't believe in taking only promises for it. That is all we get up in this section.

By Mr. Brown:

Q. What is the reason—because there isn't enough money to go around?

A. I don't know.

By the Chairman:

Q. How many miles of State road have you in Lycoming county?

A. We have in our township 2.7 miles of road, cost \$57,800. That is the question I want to speak on. That is, if you are looking for legislation to remedy these things; that is, if you are interested in this subject. The State claims we are in partnership with the State. I don't find any way where we are, only in paying. The State goes on and builds this road. The State goes on and takes this money, without considering the townships' rights at all, takes this money from the county. There is a piece in the paper last night about it. While the township is willing and ready to pay it, it never had a word to say about it. There is \$57,800 for 2.7 miles of road. Then the State goes to work and promises the supervisors 15 per cent. for maintenance. Now, I have a letter in my pocket from the State Highway Department; if the gentlemen care to hear it I will read it to you. This may not concern you about paying the 15 per cent., but the township pays \$4,000 for repairing the road and got back

from the State \$540. But the State goes on and simply confiscates this money and keeps it and doesn't pay the township what it owes it.

Q. What remedy do you suggest?

A. Why, I mean to say that when the State passes a law that it is going to pay 15 per cent. bonus, I mean it should pay it.

Q. Your thought is to turn the money into the county and then have the county build its own roads?

A. That isn't the question. The State has promised the township 15 per cent. bonus for all the cash they raise. Many of the supervisors calculated on that certain amount of money in their work, and have worked accordingly. Now, the State doesn't pay it. Now, are the supervisors all to appear as liars or fools before the public? The State owes the township now between three and four thousand dollars on that 15 per cent. bonus alone. We have told our people we are going to get this money. Where is it?

Q. They took it out of the township's share and paid for the road with it, didn't they?

A. No, they took this money off of the county. The county didn't pay the expenses for the township at all. Our township is well able to pay for its own bills, but the State refuses to pay its own bills under the present laws. The State simply confiscates the money that belongs to the County Commissioners. It is taking it, but refuses to pay to the townships what it owes the townships. I am ready to answer any questions in regard to that if you want to ask any.

Mr. Brown: I think I understand your position. It is hardly within the purview of this Committee to help you any.

The Chairman: The resolution under which we were created was simply to look toward the revision of the corporation and revenue laws of the State. We find that complaint pretty general along the line.

Mr. Klein: As a native American, Pennsylvania born, and one who is rather proud of it, I am ready at any time to declare that Pennsylvania gives more to schools and charitable institutions than most of the States in the Union; and one of the things that has bothered me sometimes, is how do the cities and boroughs get back any portion of the taxes that go from them locally? That is, as a public utilities corporation. It is true we get it back in public charities and schools, and that sort of thing, but I haven't had a chance to talk with my attorney and don't know whether I am asking a foolish question or not, but is there any provision for the cities and boroughs of the interior getting back some of the taxes for their own benefit that comes from public utilities, anything of that kind? Is there any legislation covering that?

Mr. Brown: You are getting it for the schools and charities.

Mr. Klein: Yes.

Mr. Brown: Well, those things you would have to support yourself if the State did not get you the money. That is why it is handed back to you. That is why it is divided proportionately, so that each county gets its share.

Mr. Klein: But we have no voice.

Mr. Brown: The law gives them a voice by representation. Of course, that comes back according to your needs, for your State institutions, etc., and you have an opportunity of sending your people to the State institutions for care. That is why that is handed back to you. The counties get a certain amount of money that way. Of course, you get it back indirectly by State Government and the protection you have there. Everything goes back except what is used by the State for proper purposes, for support and maintenance.

Mr. Klein: But the city has no voice. Many of them are struggling with an indebtedness, and along comes the State and puts a tax on them, and they are not in shape

to pay it. There is no way of getting a portion of the tax on public utilities corporations and other corporations which are controlled for a particular purpose?

Mr. Brown: No, I know of none.

Mr. Klein: That is what I thought. Now, as a merchant, I object to the State mercantile tax that we pay to the Commonwealth. We also pay a State tax for the same purpose. This relates to firms or partnerships. Now, many merchants, individual merchants and firms take out charters, and their object for doing that is to better protect their business in case of death, to give favored and desirable employees an interest in the business; and it makes a better proposition in many ways than a firm or a partnership. They have to pay for a State tax, a city tax and a corporation tax. Is there any provision for separating that tax, those funds that we raise? Say, for instance, a manufacturer is exempt; he pays no tax, but there is a merchant——

Mr. Brown: They pay tax on everything except their capital stock. They pay tax on bonds, and everything of that kind.

Mr. Klein: It always looked to me as though the merchant is taxed two or three times for the same thing.

Mr. Brown: In the first place your corporation does not have to incorporate. You ask the State to give you a franchise, which exempts you from personal liability for debts; it is a special privilege. We don't have a franchise tax in Pennsylvania. Some States have an additional tax. The next is your mercantile tax.

Mr. Klein: That goes to the Commonwealth?

Mr. Brown: Yes, that goes to the Commonwealth, and you have your local tax, that is a police tax, for local protection that you get. You think that is double taxation or treble taxation; one tax ought to cover it all?

Mr. Klein: Yes.

Mr. Brown: Well, there has been opposition to a mer-

cantile tax. That is, a State mercantile tax. There is a great deal of opposition to that.

Mr. Klein: You see, it is really three taxes. You pay taxes to the Commonwealth once for a mercantile license, and then you pay it again for the city, and in case you are a corporation you have to pay so much tax.

By. Mr. Brown:

Q. You think that is an undue burden on the merchants?

A. I never had it entirely clear in my mind that it was not a double taxation for the same purpose.

Q. Has it ever occurred to you that it was unfair as compared to what other people pay? In other words, do the merchants think they are paying more than their share of the tax?

A. I don't know, sir. I can't answer that.

Q. In other words, each man ought to pay his share?

A. You can't run the Commonwealth without it.

Q. Now, let us get down to it. Do you merchants think you are paying more than your share of that tax?

A. This is my private opinion. I haven't talked with any merchants. I have been out in the State for two months, but knowing that the Commission was here I just ran in to hear what was said. I made no preparation for it. I can't help but feel that in paying a mercantile tax and then paying the city again for mercantile purposes, and then paying the State again, if you choose to incorporate—the firms that are in partnership don't pay that. It seems to me it is a matter that would require considerable investigation. I know several concerns that are incorporated for the purpose I have stated, to divide it among their employees and give them additional credit, and all that.

A. They pay just the same as a man pays for a special privilege, and any other man who gets a special privilege from the Commonwealth pays for it.

A. That additional price or tax they pay for perpetuating their business, giving to the employees shares of stock, and so on.

Q. And exemption from individual liability for debts, and so on.

Public Meeting of the Committee held in the Chamber of Commerce, Erie, Penna., on Friday A. M., April 15, 1910, at 11 o'clock.

Present: Gabriel H. Moyer, Vice Chairman and Secretary, presiding; William H. Kayser, James F. Woodward, David Hunter, of the Committee., Francis Shunk Brown, Esq., Counsel.

Auditor General-Elect Sisson sat with the Commission.

The Chairman: The purposes for which this Commission was created have been clearly defined in the circular letter which you have all no doubt received. We, therefore, shall not waste any time in making any extended remarks on that point. We are here for the purpose of gathering data and suggestions for legislation to revise our tax laws wherein they are defective; and for that purpose we shall be very glad to hear the views of the gentlemen who have been asked to appear before us. Mr. P. J. Barber is here, representing the Erie Lithographing Company, and we would like to hear from him.

MR. P. J. BARBER, Erie, Pa.

Mr. Chairman, and Gentlemen of the Commission: I did not come here prepared to say anything; I came prepared to listen. As I understand the situation, you are gathering suggestions as to methods of taxation.

Sometime ago, when I was a candidate for the Legislature, I noticed the mercantile tax was under discussion; and, like a great many other men who were candidates, I was approached upon that subject as to where I stood on the matter of repealing of the mercantile tax, and, of course, without giving it any investigation, I didn't want to be put on record until I had looked upon the subject

more thoroughly and satisfied myself that the mercantile tax was necessary to provide revenues for the State of Pennsylvania. I am in favor of repealing any taxation that is unjust, that is class legislation, so as to speak; and I so informed this gentleman who approached me on the subject—that I would investigate it, and if, in my judgment, it was objectionable, I would be the very one to vote for repeal.

The question of tax is, of course, one that touches everyone who is interested in any property; and they are, naturally, of the opinion that all tax should be avoided if possible to do so. This is naturally very much the same in one business as it is in another. Our firm, of course, pays a small State tax something like seventy-six dollars. We pay a county tax of three to four hundred dollars annually.

Mr. Moyer:

Q. You are a Pennsylvania corporation?

A. Yes, sir. The consensus of opinion was, as I gleaned it, that the State has too much revenue. Now, of course, we all know the Commonwealth is a good thing; but wherever a tax is unequal, I should always be in favor of repealing it or reducing it to the minimum. I believe that (speaking for our firm) they are very well satisfied, as there has been no complaint from the officers of the company up to the present time about the treatment they are receiving from the State; and while that continues, I have no hesitancy in saying that you will hear no objections from us.

If I knew something specific that you had in mind, I might be able to discuss it; but I notice in your call for the meeting that you are interested in corporations, or the regulation of corporations and appropriations of money to institutions not under State control, and the assessment and collection of taxes in Pennsylvania.

By the Chairman:

Q. Are you connected with the hospitals here?

A. Not in a specific way. I am interested in the Bureau of Charities and some other institutions.

Q. Associated Charities?

A. Yes; that is an organization composed of the various charitable institutions here—locally.

Q. Our counsel, Mr. Brown, will probably give you a line of thought in that connection.

A. I am a great believer in appropriating all the money a State possibly can for the care of its poor and its hospitals, because the hospitals are not equipped as they should be. Both hospitals in this city need a great deal more money than they are getting. They are doing a great work and the city is growing. I don't believe the appropriations to the both hospitals have grown with the city, and with the needs of the city. The appropriations have not been sufficient for the needs of these institutions, and that is proven by the fact that private individuals are called upon yearly to pay a great deal of money that should be paid by the State. This makes a double burden upon the taxpayers. And when, as a rule, the people who are liberal are men of means who are liable to taxation, I believe it is unfair—always has been. This is the position I have taken on that subject.

By Mr. Brown:

Q. Are you a manufacturing corporation?

A. Yes; we manufacture in that we print.

Q. Are you exempted from the State tax on stock?

A. Yes.

Q. Are you under the manufacturer exemption law?

A. Yes.

Q. Have you ever made any effort to gather the sentiment of manufacturing corporations as to the fairness of the levy of a tax upon the capital stock of such corporations, assuming that the Commonwealth of Pennsylvania is not today collecting sufficient revenue to properly sup-

port her charitable and other similar institutions and to provide for the usual State outlays?

A. No. This matter didn't come to me really in time to give much thought to that. I have not given the thought to it I would like to in order to clearly state my opinion on that question.

Q. Do manufacturing corporations, so far as you have been able to gather the sentiment, feel that the burden is sufficiently heavy upon them?

A. There does not seem to be any opposition to the taxes as they are levied at the present time, excepting the merchants.

Q. That is the mercantile tax?

A. Yes, that is the only objection I have heard.

Q. I am speaking now of the capital stock. That is the only thing that the manufacturing corporations are exempted from?

A. I don't see where they would have any objection to the exemption.

Q. In answer to that question in Philadelphia, a member of the Manufacturers' Club replied that they had canvassed the subject and had come to the conclusion that if the Commonwealth of Pennsylvania intended to continue in her liberal appropriations to charitable institutions, and more money were needed for the building of roads, that the manufacturing interests represented there would not be dissatisfied with a levy of say one mill.

A. That is the amount of the Federal tax.

Q. And basing it on the manufactures of the Commonwealth, which aggregates say, three billions, it would produce a revenue of about three millions. Is there any sentiment like that in this district here?

A. I know of none. I suppose the proper man from whom to get your information would be the secretary of the Manufacturers' Association; and I am disappointed not to see him here.

Q. I understand he will be here at two o'clock this afternoon.

A. He would have that data. I am only speaking from my individual experience. I have heard no adverse criticism.

By the Chairman:

Q. What is your private opinion regarding the taxing of capital stock of manufacturing corporations—say one mill?

A. My individual opinion would be that if it were used to relieve the burden or individual subscriptions to the hospitals and institutions of that kind, it would be rather a relief than a burden, because it would distribute it among many, whereas now it is confined to a few men who are liberally inclined.

Q. Do your manufacturing corporations contribute to the hospitals?

A. Yes, nearly every one when called upon for money on charitable appeals and things of that kind every year. I would rather see even one-half mill or one-quarter mill or something of that sort put on the manufacturer, making it general.

Q. Do you think appropriations of State money has a tendency to diminish private contributions?

A. Yes, it has a tendency.

Q. Are the hospitals eager to get private contributions at the same time they are receiving State aid?

A. That is a question I would not care to enter into, because that would be criticising gentlemen who are interested in the institutions. I would rather have men who are more interested in that to answer that question.

By Mr. Brown:

Q. This is only among ourselves. Could the money given to the hospitals here be used to better advantage if given to one—a combination of hospitals?

A. No, I don't think so.

Q. There has been a complaint in Philadelphia and Pittsburgh that it is too generally distributed; that if the money was given to one, better service would result to the people.

A. That would depend on local conditions. In this city one hospital is under the auspices of the Catholic Church, and there is another institution. I believe it is perfectly fair to give both of these hospitals all the money they can use for the benefit of charity patients.

Q. Are the beds well filled here?

A. I think so. I have an idea they are sometimes overcrowded. I know some people have been denied admission, even those who have been willing to pay for beds. I know of several instances. As an officer of one of the fraternal orders I had occasion to visit both hospitals very often; and I know at times it was very hard for us to get patients admitted when we were willing to pay. I think this is one of the things the State could do that would be appreciated in Erie.

Q. I gather your thought that the State should be liberal in her appropriations to these philanthropic institutions?

A. Yes.

Q. Assuming the money would be properly expended, and the revenues of the State were sufficient to satisfy these demands, it is your thought that every taxable could be included?

A. Yes.

Q. What other taxables could be returned?

A. That is a question I would rather someone else answer.

Q. Some say do away with all these private institutions, and you will find others that say give more to them?

A. I would do away with some of the rest of these things if I were going to do away with anything. When these things are here we must take care of them. If the present has no need, we must take care of them for the future. It seems to me that the city of Erie is not asking for as much as they are entitled to in the way of hospitals. I think if

a tax were levied upon some of those that are now exempted, it would not be unjust at all.

Q. We would like to hear about the taxing—about the sentiment as to taxing public utility corporations, railroads and others?

A. The Treasurer is here, and the Controller and the Mayor of the city.

Mr. Brown: We are here to gather information about the subject of the formation and regulation of corporations, State revenues, the collection of money by the Commonwealth and the appropriation of that money. The reason we asked about the hospitals is that if it is not right to appropriate money to institutions not under State control, it is not right to tax private people for these charitable institutions. If you have any thought, Mr. Mayor, as to whether the law is defective, we shall be glad to hear from you as to any suggestions you may have to offer?

The Mayor: An officer I would like you to hear on that is the City Solicitor. You are on the question of taxing public utility corporation property?

Mr. Brown: We are here to gather the views of the people here whether this should be taxed locally.

A. Well, on that point—that was brought out at the last conference of the first-class cities last summer. We think in Erie that we get a much larger amount of tax out of that character of property than they do in most third-class cities. We follow the law as closely as we can, and we are strict about our exemption—as to what is clearly exempted—and on property held by public utility corporations, we fight it out with them. The result is that we are getting a much larger amount of tax than most third-class cities. I don't know that we are getting as much as we should get. There is some certain property that is absolutely essential that is exempted under the law.

Q. Is it your thought that that should not be exempted? Some of the counties state that while it should be taxed

there should be some equitable basis of taxation. Others say it should be taxed locally?

A. That class of property is given fire protection, police protection, light, water; it is given everything that the city has to give in the same measure that every other class of property is given. For that reason, if for no other reason, I should think it should bear the same proportion of taxation that any other piece of property would.

Q. How about the return of the personal property tax in this county, the money at interest, for instance; is that fairly returned?

A. I think it is pretty closely watched. There is a general impression around that the returns are very fair.

Q. Have you any other thought or suggestion?

A. No, not just now. How long will you be in session?

Q. All day.

A. I would like to bring the City Solicitor here. He would probably have something that would be of advantage to you.

Q. We would be glad to hear from the City Solicitor.

A. The Treasurer is here. He is very familiar with the tax assessment here; and the Controller is here, who is very familiar with the tax levy. If there are any questions you would like to ask them, I know they would be pleased to have you do so, and they will give you very direct answers.

Q. I would like to ask the Treasurer about the collection of taxes. He sends out blanks from the Auditor General here?

By the Treasurer:

A. They come direct from Harrisburg.

Q. You don't send them out?

A. You mean who gets the list?

Q. Yes.

A. They keep a record, I think, when the corporation takes out a charter.

Q. I mean the blanks for the return of money at interest, for interest.

A. I thought you meant corporations.

By Marvin Griswold:

Q. Do I understand that this Commission is looking after revising the whole system of State taxation?

By Mr. Brown:

A. We are here to consider any subject relative to the collection of State revenue.

Mr. Griswold, Griswold Mfg. Co.: I am interested in manufacturing corporations exempted from taxation on capital stock in Pennsylvania. I think we should collect a tax on loans and deduct that from—for instance, we have a bond issue and deducted that from the interest. It seems to me it would be a hardship upon the borrowing concern that has to borrow the money, and it seems to be much more equitable if we didn't have that tax on the loan but could put it on the capital stock.

Q. In other words, not tax the loan, but exempt the bond and tax the capital stock?

A. Yes, that would strike every manufacturing corporation equally, and would tend to keep the corporations from inflating their value of capital stock. It would make them give what it is actually worth. The tax would be more apt to bring out the true value. They would not capitalize good will perhaps as heavy as they have been. The borrowing concern who is borrowing the money makes the bond issue, while the man who loans the money is supposed to pay the indebtedness tax; and corporations can borrow money cheap when they have to pay a four mills tax; and this they take into consideration when they make a loan.

Q. How would it do to tax the gross value of all assets of the corporations—upon all their indebtedness?

A. If you taxed the gross value, that is the gross value

of the corporation, it would include the indebtedness. The net value in some corporations does not amount to anything. You would be taxing a dead wall. If you get away with taxing the gross value of the capital, it would be a good proposition. A small tax on a corporation would bring in a good deal more money than a four-mill tax on loans. We have to make out a detailed report to the Auditor General where we ask for exemption in taxation, and answer a great many questions required in filling out that report. We should simply make affidavit that we are a manufacturing corporation——

Q. That report is to make sure that you should be exempted, and the thought of the return is that something might turn up in that report that will prove somebody not exempted?

A. I have looked over these blanks.

Q. It would simplify the returns if we took just the gross assets—wouldn't that be easier than the way it is done now?

A. Include the stock, though. You know what capital stock is. We have had a number of interests say that the easiest way to get away from taxation was to become incorporated. There is too much given here. An exemption here and an exemption there—now, if you take the gross value of the assets of a corporation and levy a small tax on that, then it does away with all this. These assets include the bonded debt, moneys borrowed, moneys at interest, etc. If you tax the gross assets you are taxing everything, for instance, building, machinery, stock in process of manufacture, and one man may estimate it at 100 per cent. more than the next man.

Q. But under the law, the Auditor General has a right to send around his own auditor who may make his own appraisement. The thought is that one man may be a sort of a watchman over the other man's business. As to the advertising of the assessments, if these were all pub-

lished, every man would know what the other man's property was assessed.

Mr. Brown: Do you pay a mercantile tax?

A. No.

Mr. Moyer, the chairman:

I would like to ask the Treasurer a few questions as to the money at interest and the return thereof. How are your assessors selected here?

By City Treasurer Pinney:

A. Elected.

Q. By the people?

A. Yes, sir.

Q. How many?

A. Three.

Q. Do you receive the money collected from the various sources of the county?

A. No, sir, I am the City Treasurer.

Q. Do you collect any State tax at all?

A. No.

Q. Aside from the revenue derived from your licensed places?

A. That is all.

Q. We should have the County Treasurer here as to moneys at interest. As a man of affairs and holding public office here, Mr. Treasurer, what is your view regarding the appropriation of money to private institutions where the title of the property is not vested in the Commonwealth?

A. Well, of course, hospitals and things of that kind, I think, it is right for the State to help these along. People of that kind should be taken care of by the State.

Q. Your view would be that the liberal policy that has been established by the State be continued?

A. Yes, sir.

Q. And increased if possible?

A. Yes. Now, for instance, the Hamot Hospital; they want a building with forty or fifty more rooms, and they haven't enough money to build it. We took an old lady to that hospital a few days ago and failed to get a bed for her; and we had to put a cot up and wait a few days until we could move her over to a room where somebody went away. I think both hospitals should have more money.

Q. Why shouldn't the city itself help such institutions?

A. These hospitals take everybody. If a person is hurt in some other State or city and brought into Erie, they are taken to these hospitals.

By a Member of the Commission:

Q. People from Ohio, for instance?

A. They are from lots of places; and they are as welcome as any other. We take them from all over the United States.

By the Chairman:

Q. And supported by the State's revenue?

A. Yes, sir.

Q. Do you think it is policy to continue to take care of the sick and injured from all parts of the United States by State appropriations?

A. Yes, if they come into the town and have no place—no home to go to—let them go to the hospital. The city should not take care of these cases.

Q. Mr. Brown, you have the data, in reference to the State of Ohio. Does the State of Ohio appropriate money to private charities?

By Mr. Brown:

There is no institution in Ohio supported that is not under State control. There are very few States in the Union that do. You might say that none of them do—that is, the majority of them don't. There are thirty-four that make no appropriation, and nearly all the balance of them do it in a modified way.

JUDGE J. B. CESSNA, Erie, Pa.

Mr. Chairman and Gentlemen of the Commission:

I have been asked to say a word upon the line of business spoken of.

I was born in Pennsylvania, but have lived in the West for twenty-five or thirty years, so you young people are entirely too young to be remembered by me.

I want to speak in reference to the equalization of taxation; on that thought and that line. I believe that real estate is taxed too heavily and that there is a discrimination as to the burden on real estate that is not imposed upon such corporations as railroads. I have been paying taxes in Erie for twenty-five years or thirty-five years, and I have a right to speak on that subject. What I want to direct your attention to is (and I believe I am correct in saying) that Pennsylvania real estate pays a tax of twenty-five mills on the dollar, while railroads pay five mills on the dollar. I think that is correct. I have given the matter some thought some years ago. Now, in Philadelphia and Pittsburgh, and, I think, in Harrisburg, there they are taxed on real estate; by the authority of an Act of Assembly passed prior to our Constitution, they are taxed on real estate. They are not taxed on real estate in Erie, Pennsylvania, and there is no good reason to be given why that should be; they are not burdened too much and it is right and proper that they should pay that tax. If they pay a tax by authority of a special Act of Assembly in Philadelphia, Pittsburgh, and, I think, Harrisburg, on real estate, why shouldn't the real estate in Erie and other parts of the State pay the same kind of a tax? Why don't the railroads pay a tax on real estate in Pennsylvania? Can you find any statute exempting them? No. My recollection of reading the decision of the authorities is that it comes through judicial interpretation. Now, I

don't believe that decision was made in any State in the Union outside of Pennsylvania. This has been handed down and for that reason we give them the distinction of exemption on their property. I think I am right in saying that it is not a statute, but that it comes through judicial interpretation. I think the time has come when this should be changed; that the railroads should pay taxes on their property in an equitable way; not to make it partisanism, but let them pay the same as you and I pay; because taxation should be equal on all property. It is wrong to tax one man's property and not another's. Other States tax railroads. Out in Nebraska they tax them there. About five years ago they increased the tax, taxing all property at a certain rate. They increased the tax on the Union Pacific Railroad between ninety-eight and one hundred thousand dollars. They are all satisfied and everything works harmoniously. So it is right to tax them. Other States tax them. I am not an enemy of railroads. I am no Populist—never adopted that theory; but I do believe that taxation should be equal on all property, corporate or personal; that we would secure better taxation throughout the State; it would be equalized, as it should be. The parties who are making the money and increasing their wealth—the corporations that are increasing their wealth are better able to pay taxes than you or I. They get the benefits, as suggested by our Acting Mayor—they are protected by the city in the police service, fire department; but what do they pay to the City of Erie? Of course, this is all right and proper and we should be commended for it; but it should not stop there. If their tax is not equal to the burden you and I pay, then it should be made equal by law, if necessary, so as to bring equal taxation to every taxpayer. What would we do without railroads? They are necessary to the State. We could not live without railroads; they are a blessing to the State, but in certain ways they can be an injury. If they are allowed to escape taxation while

unjust taxes are imposed upon you or me, it is a wrong to the citizens of our State. I would ask Mr. Brown, on the left, if I am correct as to railroads in the State of Pennsylvania?

Mr. Brown: We tax all except roadbeds and water tanks.

Judge Cessna, continuing: I think that is a thought that is worthy of investigation. I did not know your Commission would be here until last night. I sincerely hope the investigations of your Commission will result in great benefit along these lines. We have come into a period where we cannot do without these corporations, and if they are properly encouraged, that is all that should be done. They should not be encouraged at the sacrifice of our citizens.

By Mr. Brown:

Q. You don't agree with some of the single taxers that land should bear all the taxation?

A. No, sir; I do not.

MAJOR BROWN, called: It was not my intention to come here to address this assembly; but I happened to meet some of my old friends on the train who invited me to come to this hearing to-day. I have made something of a study in the long years gone by of the question of State taxation. I have no criticism to make upon the policy that underlies taxation for State revenue. I believe it is the best that exists in any State in the Union. And just here let me refer to a statement of the gentleman who has just taken his seat. He says that railroads pay a five-mills tax on their capital stock. They pay a five-mills tax upon the assessed valuation of their capital stock. Take, for instance, the Pennsylvania Railroad Company that has a capitalization of, I think, about four hundred millions of dollars. That stock may be worth twice its par, and, if so—and the markets show that sales of stock have been twice its par—then the return to the Auditor General would necessitate the fixing of the valuation of that stock for the purpose of taxation according to its last sale. In other words, it is not five mills on the par, but on the assessed valuation. Then in addition to that, the public utility corporation pays a four-mills tax on its bonded indebtedness. Take, for instance, the Philadelphia and Reading Railroad—it has forty millions of capital stock and, I think, one hundred and fifty millions, or upwards, on bonds. So, you see, it is paying a good deal more than five mills on its assessed valuation of capital stock. Then, in addition to that, the law requires it to pay eight mills tax on its gross receipts. So, the statement of the gentleman is hardly fair to public utility corporations. There may be a disparity and discrimination between them, but bear in mind that the farms and houses in the State are assessed according to the enterprise, the honesty and the prejudice, very largely, of the assessor. In no county of the Commonwealth is

real estate assessed within 75 per cent. of its actual value (there may be exceptions), and in some counties of the Commonwealth it is not assessed more than 22 per cent. of its actual value. That is because the laws are not properly executed—the law requiring that it should be assessed at its actual valuation or as nearly so as possible.

Now, as to taxing manufacturing corporations. I happened to be a member of the Legislature in 1885 when the law was passed repealing the tax on manufacturing corporations—the capital stock of manufacturing corporations. I voted against it. It was passed ostensibly for the purpose of encouraging manufacturing interests in Pennsylvania, which was most laudable; but I argued that the manufacturing corporation of Pennsylvania was greatly benefited by the tariff, and that it should not escape its share of the burden of public tax. I did not think it should be assessed as high on the capital stock as a public utility corporation, because public utility corporations are generally exempted from local taxation, while a manufacturing corporation is not. But when you consider that the hospitals are largely filled as a result of injuries that occur in manufacturing interests of Pennsylvania, it would seem fair—there is some justification, rather—in the proposition that a small millage should be put upon the manufacturing corporation of Pennsylvania. Probably one mill would be justifiable.

By Mr. Brown, counsel:

Q. What was it before?

A. The millage on the capital stock of corporations was the same as other corporations. The Act of 1885 simply did away with the millage upon the assessed valuation of the capital stock of manufacturing corporations.

Q. It has been suggested that the manufacturing corporations should be exempted because they are producers. Someone has answered that the Standard Oil, as well as a manufacturing corporation, is a producer which is largely

helped by nature, the same as the farmer and other interests. Is there anything in that?

A. Your suggestion is as to whether on account of their being producers and adding to the commerce of the State, that they should have favoritism with reference to the millage?

Q. Yes.

A. I say yes, most decidedly; but even putting a one-mill tax upon them for the purpose of helping to maintain our charities would still be a discrimination in their favor, because other corporations pay a five-mill tax upon the assessed valuation.

The gentleman has referred to the fact that in the City of Philadelphia and in the City of Pittsburgh the railroad corporations pay a local tax upon the property which they own outside of the road-bed. This is a special law; but it must be remembered in considering this question as to the justness of putting more tax upon public utility corporations that they are especially reserved by the Commonwealth of Pennsylvania as a subject of taxation. That seems to have been a fixed policy of the Legislature of this Commonwealth to reserve public utility corporations—all classes of public utility corporations. Now, where does your money come from by which your charities are supported? By which your hospitals are maintained? By which your roads are built? By which your local taxation is realized, in that the State appropriates at least one-third of the expense of maintaining the public school system of Pennsylvania? It comes out of the public utility corporation almost in its entirety. That should be considered. I don't think it would be fair to increase the millage upon the assessed valuation of the capital stock of these corporations, because it is only a few years ago that it was three mills; then it was increased to four mills and now it stands at five. When you come to consider the other taxes they have to pay—the eight mills tax upon the gross receipts, the

four mills tax upon bonds, they are not escaping taxation by any means.

There is one thing, however, that ought to be considered by you gentlemen who represent the State of Pennsylvania in the halls of the Legislature, and that is the question of taxation of the bonded indebtedness of corporations. The law, as I stated, provides for a four mill tax. But here is a corporation that may have ten millions of dollars of capital stock and ten millions of dollars of bonded indebtedness. If these bonds are owned in the State of New York, which is the great financial center of the country, why, these bonds escape taxation under the Interstate Law. Is there any way, in fairness to other corporations whose bonds are owned in the State of Pennsylvania and who have to pay a four mills tax upon the value of these bonds, that you can get at in some system, some scheme of legislation, to secure to the State of Pennsylvania some revenue from the bonds of corporations that are owned outside of the State of Pennsylvania? To me, that is the greatest problem that exists in the taxation question today.

Q. You would add the bonded indebtedness to the capital stock and consider it all assets?

A. That would be all right provided the Federal Courts did not say it was beating the devil around the stump. I think the suggestion is a good one—whether it would stand the test is another question.

Another thing. I think the Legislature made a mistake when it passed a law by which the corporations can reduce their capital stock to the minimum or increase it, or reduce their bonded indebtedness or increase; that is, you can make your bonded indebtedness as much as you please without reference to the capital stock. I think there is a means of the corporation escaping taxation.

Q. By bonds owned outside of the State?

A. Yes.

Q. What is your thought about appropriations of money to institutions not under State control?

A. I am one of those who believe there is more good derived from a thousand dollars appropriated to private charities than there is to public charities.

Q. As far as you know, this is the general sentiment among people to whom you have talked?

A. I think it would be a great mistake to do anything that would impair the usefulness of private charities. In making appropriations to private charities, the State ought to take a mortgage the same as they do on a normal school property, so the State will be protected. The State should be protected and the way to protect it is by taking a mortgage for the money appropriated.

MR. J. J. DESMOND, Erie, Pa., called.

Mr. Chairman and Gentlemen of the Commission: About the only thing I can say is that I don't believe, as a manufacturer, that there are any manufacturers in the State (if there are it is a very small percentage) who find any fault with the present taxation, or even with a one mill tax; I know we should not. But what they do strongly object to is the Federal tax and having the details of our business made public—the system of giving out a statement that gives our competitors practically a complete knowledge of our business operations. So far as the one mill tax is concerned, I think it should be larger. For our part, from our standpoint, the manufacturer should pay it, and would willingly do so.

By the Chairman:

Q. On the capital stock.

A. So far as the capital stock is concerned, it has been brought out by Mr. Brown that it is very easy to evade that tax, if they make it strictly on the capital stock. Take our own case. Our capital is two hundred thousand dollars; our surplus and undivided profits are six hundred and twenty-five thousand more; well, the tax would only be one-third of one mill in that case.

By Mr. Brown:

Q. On the value of your assets?

A. Yes. I believe very strongly in the income tax. That is a thing that would tend to prevent the spread of Socialism.

Q. Gross or net income.

A. I mean net income. The man who has an income is the man who can afford and ought to pay his share of protection. The more he has the more protection he gets.

Q. Does that follow.

A. I say the greater his income the more he has to protect; and if the Government is simply an institution to protect property, preserve property and law and order, every man can help support it according to his ability to pay. The man who is getting one dollar and fifty cents to two dollars a day is paying perhaps proportionately one hundred times more than the man who has an income of fifty to one hundred thousand dollars a year. I believe it is that inequality that is propagating Socialism.

Q. How would you work out this problem? What is your thought on public utility corporations?

A. The income tax idea is that the man getting a big income or a small income should be taxed according to the income in proportion. The Senator from Philadelphia brought up the question coming up on the train of the impossibility of collecting that or getting a return for it. If there is a penalty put on it, it is just as easy to get that information as it is to prevent burglary. The man who dodges his tax is stealing and dodging his share of Government expense.

Q. Do you find in your experience that many do evade it, or is the disposition generally to respect the law and make a fair return?

A. I believe generally it is intended to respect the law among what you might call the little people or little class. After a man gets control of a good deal of money he becomes money mad and will do anything to dodge the expenditure of it, just to pile it up; he would do anything within the law.

Q. Have you ever given any thought on the subject of inheritance tax, direct inheritances to reach that class of men of which you are speaking now?

A. I strongly believe in that. I know of the case—when we bought the property from the heirs of the man who established our business the inheritance tax was 5 per cent.

Q. That is a collateral tax?

A. Yes—the heirs were well able to pay it; they had done nothing to accumulate the money.

Q. I assume they would be equally as well able to pay the direct inheritance tax?

A. Yes, just as well. The money in four cases out of five—the money that goes to the children—goes very rapidly after they get it.

Q. What is your thought about roads—building of highways?

A. I am a crank on roads.

Q. Do you think they should be built?

A. Yes.

Q. Do you think the State should build them?

A. I think the present law is an excellent one—that the State puts a portion of the money up as against the counties or districts that are willing to show their interest in it by putting up a portion. I have this to say, that I think the Macadam roads are a failure; but this is a detail.

Q. What about the public schools? It has been advanced that the State of Pennsylvania should contribute to each county the minimum salary for the minimum term of the school teacher.

A. Nothing should be cut off from the public schools.

Q. How about charitable institutions?

A. I think the State should be very liberal with these institutions in the extreme, but should have a string to it so it does not get into the hands of private individuals or cliques. I have a case in mind where there is a great deal of factional feeling and the control of the institution is practically in the hands of one man; but I believe this could be overcome.

Q. How would it do to make a per capita appropriation, let the State pay to each institution a per diem amount; wouldn't that obviate a great deal of this trouble?

A. Yes.

Q. We have been told that upwards of ten thousand beds in institutions in Pennsylvania are empty every day. I presume a per diem would obviate a great deal of that.

A. Yes, it would.

By the Chairman:

Q. What would you say to this proposition: That each county take care of its own unfortunate people, the same as it does of its paupers?

A. It would not be a broad way of looking at it. There are some counties more able to divide the responsibility up. We are dependent one upon the other. The county that may not be able to take care of its own insane and its paupers would have an infinitesimally small percentage of the population, and I believe that is why the State divides these things up and makes them equitable.

In speaking, I digress a great deal from the original point. One strong point I wanted to make was the objection to the publicity, which is the odious part of the Federal tax.

Q. I don't think Pennsylvania has been offensive in that way.

A. I would say so with the Auditor General. The blanks they send out have questions that we don't want to answer.

Q. Our intention is to take that up with the Auditor General and see if that cannot be simplified. Let me ask you while you are on your feet—about the time of return?

A. It would be much more convenient if we made the return the first of February instead of the first of December. Now about taxation. I believe there are a number of concerns like us. We have one tannery in Corry and one in Spring Lake; we have it because it makes a different grade of leather. It is under another name. We own the stock. I believe so long as it is a manufacturing concern it should be taxed on these shares of stock

as we hold them as part of our assets and ought to be taxed the same as we are taxed.

By Mr. Brown:

Q. As one of your assets?

A. Yes; that is all used in manufacture. In our last report, I believe, they put that in as a separate item, not as used in manufacture, and it actually is.

ADJOURNED until two o'clock P. M.

The Commission reconvened at Erie, April 15, 1910. 2 P. M., the same members present, and Mr. Moyer, as previously, presiding.

Mr. Moyer: As I understand it, we have with us this afternoon the Clerk of the County Commissioners, who has kindly consented to come here and give us some information which we are seeking. We are especially concerned with reference to the returns that are being made by people who have money at interest. Mr. Robinson, we will be very glad to hear from you. Step forward, please.

MR. J. A. ROBINSON, Clerk of the County Commissioners.

Q. You mean the money at interest held by taxpayers to be returned for State purposes?

Mr. Moyer: Yes.

By Mr. Brown:

Q. Mr. Robinson, what is done with the blanks which are furnished by the Auditor General for the purpose of securing returns of property taxable for State purposes?

A. They are sent out with the assessors.

Q. How do you make up your list?

A. We give them mortgage books with the mortgages and judgments in there for the two offices, and also furnish them with a blank and book with the rest of their paraphernalia.

Q. Do you furnish them with a list so as to get at those taxable?

A. We instruct them to give a paper to every taxable.

Q. What do you mean by "every taxable"? Everyone on the assessors' lists?

A. Yes.

Q. What do you do to check these up?

A. In what way?

Q. Do you demand a return of these blanks, or a reason for not receiving any return?

A. Yes, sir.

Q. Suppose they don't return them?

A. That is left a great deal with the assessor. When he knows a man has not got anything he don't get his paper.

Q. Suppose a man has something and the assessors do not make a return, is there any effort on the part of the County Commissioners to follow that up?

A. Yes, sir.

Q. Do you scrutinize the return?

A. Yes.

Q. Do you think all taxables are gotten?

A. No.

Q. Where is the leak or trouble?

A. I think it is in the assessors' carelessness.

Q. Attributable to what—the character of the assessor?

A. Well, yes. The first thing, I think the assessors should be appointed by the County Commissioners. They elect people that are not capable, poor penmen. When a man gets past doing anything else they elect him assessor. I think it should be our best men.

Q. How about the pay—do you think it is sufficient? What do your assessors get?

A. Two dollars and a half per day.

Q. Do you think that is sufficient to obtain the services of competent men?

A. No. That is too much for a good many of our assessors, though.

Q. What return is there made of moneys at interest by certificate of deposit in your banks and trust companies?

A. Well, some return and some don't. We cannot tell; we have no way of knowing.

Q. Can you tell us about what amount in Erie the last year?

A. On certificates of deposit?

Q. Yes.

A. No; I cannot tell you.

Q. What leads you to believe that there is money at interest not returned by the assessors?

A. Well, it is only a supposition.

Q. Have you ever made any attempt to tax anyone that did not make a return—make an estimated return?

A. We have had the assessors estimate them.

Q. With what result?

A. We got our money.

Q. Did you ever raise the estimate the next year?

A. Yes. It is this way. We estimate them at a certain amount, when we start, and then we add 50 per cent. The next year we will take that amount, with the 50 per cent. added, and estimate again.

Q. Then you get near to what the real sum is?

A. Yes.

Q. To what extent is that done?

A. Maybe two or three in a district.

Q. Have you any suggestions to make as to how that difficulty could be avoided?

A. No; I don't know.

Q. Very few prosecutions, I guess, for failure to make proper returns. Have you any in this county.

A. No, I think not.

Q. Have you any idea as to moneys at interest in banks and trust companies, which is evidenced by certificates of deposit not returned?

A. No.

Q. How would it do to have returns made by the treasurers of trust companies and banks? Do you think that would obviate the trouble?

A. Possibly.

Q. Is there any objection to that so far as you can see?

A. No.

By Mr. Moyer:

Q. Making inquiry as to the tenure of office: Do you believe the assessors, if under the elective system, should be elected to succeed themselves?

A. Well, it would take an assessor about three years to learn all the ropes.

Q. That is what I am driving at. Isn't it a fact that for instance, an influential man might live in a district or township, and might have sufficient influence with the assessor to have him defeated if he didn't make what he thought was a proper return of his property—it might have an effect upon the assessor's judgment?

A. Yes; that is possible. I suppose the next man would be just as liable, perhaps.

Q. That would be a question for the electors of the district to determine.

A. Yes.

By Mr. Woodward:

Q. For which reason you think they should be appointed rather than elected?

A. Yes, sir. Then the Commissioners have some authority. We elect our collectors in townships; that, I think, is better than appointing. In cities of the third class, the collectors are appointed; but the assessors should be appointed by the Commissioners. I think it would be better to appoint the assessors and elect the collectors.

By Mr. Hunter:

Q. Why not appoint both?

A. It would be all right. We have a good set of collectors in the city.

Q. You appoint them?

A. Yes.

Q. Do you find they work all right?

A. Yes.

Q. They work on a commission?

A. Yes. It isn't every man that makes a good collector.

Q. That is more reason why they should be appointed?

A. Well, yes. You ought to do the same way with the assessors?

By Mr. Brown:

Q. Have the County Commissioners ever made any effort to ascertain from the trust companies and banks as to the probable amount of money at interest by certificates of deposit?

A. I think not.

PRESIDENT DAVENPORT, of the Manufacturers' Association, called.

Mr. Chairman and Gentlemen of the Commission:—I have just been elected president of the Manufacturers' Association about fifteen minutes ago and I have hardly entered upon my duties. I think it entirely proper to call upon our secretary, Mr. Himrod, to be our spokesman in the issue. Others here may offer what they wish, in addition to what Mr. Himrod has to offer. Mr. Himrod will give some points here which we wish to cover.

SECRETARY RAY HIMROD, of the Manufacturers' Association, called.

Mr. Chairman and Gentlemen of the Commission:—Pennsylvania is now a good manufacturing State. Now, everything that is done to increase the expenses of the manufacturers will tend to decrease their enlargement, and will keep others from coming into the State. Their advantage to the State is that they bring more money from outside into Pennsylvania than any other business, and

they distribute their payrolls among a large number of people.

By Mr. Brown:

Q. You don't think the manufacturer in Pennsylvania would add the tax to the profit and the people would have to pay it anyhow?

A. No, I do not; because they would drive business to other places. I have known of cases where the fraction of a cent was enough to lose business for us. One suggestion was to make a tax on the business of manufacturers of a fraction of one mill. I think, in this case I had in mind, it was something like -one-half cent, and we lost the business. Competition is very close in a great many lines of manufacture. One very large plant is considering enlarging their plant here. If you increase the cost of manufacture that would be a reason for forcing them away from here.

By Mr. Hunter:

Q. That difference in the success or failure to get the business was on the dollar or on the hundred pounds?

A. On the 100 pounds.

Q. That would represent a good many hundred dollars.

A. I don't know. At that time it was on the average rate.

By Mr. Moyer:

Q. The point was made this morning by a manufacturer engaged in the tanning business, from Corry—Mr. Desmond, I think it was—No, it was Major Brown, who said, in his opinion, because of the fact that the State appropriates liberally to these charitable institutions and private hospitals throughout the State, the manufacturers get the benefit of these, inasmuch as these private charities accept injured employees; and in that way the manufacturers should contribute a share toward maintaining them, so that the State might continue its liberal policy? What do you think about that?

By President Davenport:

A. When a corporation is incorporated in this State they pay a tax on their capitalization. As far as the matter of the charitable institutions receiving State aid is concerned, I think, upon investigation, you will find that the corporations of this State contribute more as individuals—as companies—to the support of these institutions in the various parts of the Commonwealth than the State does itself. I don't see any argument, so far as that goes. It is a great good to the public to have these corporations. They cannot exist without the corporations; and anything we can do to invite corporations to come into the State seems of material benefit to the State in every way, instead of taking any measures that would prevent them from establishing themselves within our Commonwealth. It seems to me we ought to go very slowly in regard to further taxation, especially in view of the fact that the national corporation law has just gone into effect.

Mr. Himrod: I would like to read a letter I have received from Mr. P. D. Wright, President of the Reed Manufacturing Company, of Erie, which is addressed to the Manufacturers' Association, touching upon the matter of corporation tax in the matter of making reports. (Reads:)

“The writer would like to see the laws with respect to corporations so altered that the yearly report which they require gives only such information as is necessary to determine the amount of the tax due. The corporation and loan reports, as required now, necessitate giving information which is not necessary to determine the amount of tax due, and we would like to see all this unnecessary information, which is required by the present form, eliminated.

Yours very truly,
(Signed) P. D. WRIGHT,

President.

February 14, 1910.

MR. EDWARD C. MOORE, Treasurer, Erie City Iron Works, called.

Mr. Chairman and Gentlemen of the Commission:—I would like a little information, if you can give it to me. I just made a note here that was brought up just before we came in. Has this Commission any data as to the average age of these corporations incorporated under the Act of '73?

Mr. Brown: We have not.

Mr. Moore: You take these corporations that have been incorporated under the Act of '73 to date. A number of the old ones have been increasing their capital. I was trying to arrive at an average of the original charters and increases. I suppose it would be safe to say it is not over ten years. If you figure on that basis, one-third of 1 per cent. over a business of ten years, it would probably be a pretty fair item.

By Mr. Brown:

Q. Three mills on the capital stock?

A. Yes.

Q. You tax manufacturing corporation stock three mills?

A. I am just trying to figure how much time that would cover. Someone estimated it was ten years. My idea was to see how heavily we are taxed. There is no way to tell unless you could strike an average, how much we are paying per annum toward the support of the State..

Q. The only way you are paying toward the support of the State is you are paying the interest on your loans and not paying any tax on capital stock. You pay the tax on your loans and your local taxation.

A. I understand that, but I mean you are paying, originally, one-third of 1 per cent.—

Q. You are talking about a bonus?

A. Yes; I am trying to divide it up into annual tax. There is another matter. You haven't given us much time. It was only yesterday noon that we heard of this meeting in Erie. We would have had time had we reported at the Philadelphia meeting.

Q. Did you folks get letters some time ago from us?

A. I had one sometime ago saying you would hold a meeting in Philadelphia.

Now about the foreign corporation law. You gentlemen are posted on that. How does ours compare with other States?

By Mr. Brown:

Practically the same as other States have. Some make them make a better show-down than we do here.

Mr. Moore:

I have a letter here in which I have some suggestions that I wanted to bring out. I have often wondered just how our State arrives at this in connection with foreign corporations "doing business" here. We go further than some States in claiming what constitutes 'Doing business' in Pennsylvania, our Courts holding, we believe, that even selling by travelling salesman is 'doing business' in this Commonwealth, but do we get the full benefit of this in our tax returns?

Q. They must have an office.

A. If an Ohio corporation, for instance, files papers here and pays in one-third of 1 per cent. on capital actually employed in the State, what provisions have we for a follow-up system of securing larger returns on their second and future business? Our system may be complete, but it does seem as though if we are taxing foreign corporations for capital employed, we might, to work to advantage on other State's plan of taxing them, on "business done." The Pennsylvania corporations pay heavily

for any little privilege in our sister States, and a little retaliation might hasten the day when we could all incorporate under Federal law, pay a substantial tax to Washington and let them divide a portion on some equitable basis with the several States and keep the balance to apply on an automobile for Speaker Cannon. We all have a lot to learn about Corporation laws, and not being an attorney, I may be away behind in the procession; I may be very narrow and very prejudiced in my views; but, after twenty-five years in the manufacturing business I am prepared to state that I consider that the man, or set of men, who rake up enough funds to start a real live manufacturing corporation, are public benefactors.

By Mr. Brown:

We are not as strict as we should be. There is no question but that we should follow the foreign corporation. Have you made any investigation as to the foreign corporations around here?

A. I know what the other States are. We are paying in Texas, as close to a thousand dollars a year for doing the same as we do in Illinois for three a year. We are paying in New York three to four hundred dollars a year for doing the same as we do in Ohio and pay five to ten dollars.

Q. You think Pennsylvania should be more strict as to foreign corporations?

A. Yes, sir. I have no doubt you could get an enormous amount out of that. People are coming in here and doing a million dollars worth of business, and because you can't say "Mr. Man, you have some property here," they escape taxation. Now Texas, of course, we wouldn't want to follow. If a director in a Pennsylvania corporation looks out of the window in a Pullman running through Texas, the State officials immediately wire for a sworn statement of his company's capital and surplus and soak them a tax all the way to one-fifth of 1 per cent.

They are too radical. We all feel the same about Texas as Sherman, and we all know what Sherman said about Texas. He said if he owned Hell and Texas, he would rent Texas and live in Hell; and Texas has been trying to get even with us ever since. They say, "if you cannot live in Texas, you have to pay your taxes just the same," so they let us live up here in "Hell" and tax us just the same, even though we cannot live in Texas.

Q. Do you think it is wise for Pennsylvania to follow the same policy?

A. No, but we can learn from Texas. They have a tax that runs from one-seventieth to one-fifth of 1 per cent. on capital and surplus. New York arrives at the amount of capital invested and business done in their State, and putting this against the total investment and business done elsewhere, calls this the pro rata share of foreign corporations stock on which they may be entitled to a tax. Taking the corporation's net worth, they then assess you $1\frac{1}{2}$ mills on the dollar of such part as the above plan shows to be taxable. Both New York and Texas, taxes are annual, and based on sworn statements furnished March 1st of each year.

I am thoroughly convinced that this same plan would net a big income to Pennsylvania. If we are still short and still have that "itchy" feeling for the corporation scalp, we should then investigate the proposition of taxing surplus of our home corporations. One concern has 1,000,000 capital and 1,000,000 surplus; it derives all the benefits of our corporation laws and pays to the State \$3333.34 for its charter. Another corporation capitalizes its surplus and pays the State just double this amount. I believe we could license the surplus at one-third of 1 per cent. and then if the capital is ever increased, see that the corporation is not charged a second time with this portion of the tax. Are you familiar with New York affairs along this line?

Q. They get quite a good deal out of Pennsylvania corporations. There is no doubt there will have to be a regulation of the subject of foreign corporations.

By Mr. Hunter:

About that surplus, it might be found in manufacturing concerns in certain lines, and you might fail to find it in similar concerns in identically the same lines but not as efficient management as the others?

A. The State is giving them the same advantages to pay the lower tax. You have the records. You will find a whole lot of concerns with as much surplus as they have capital. If you have a right to demand something of them on that capital you certainly have a right to reach that surplus. I am speaking now of the surplus invested—I mean money right in the business—money invested right in the business. Take my own concern, for instance; we have a two million capital and a half million surplus. If I thought you were going to tax that surplus, I would go back to the office and make a dividend, maybe. At the same time, if we should ever increase our capital to three millions, you would get a whack at that surplus. Why not get it now?

Q. You don't think there would be any attempt to evade the surplus, do you?

A. No, our books would show that we were bankrupt if we did. In order to carry on business, we have to have a surplus. If we would wipe out the surplus the statement would look like thirty cents. I think the manufacturing corporations are public benefactors. They furnish a market for the farmer and furnish a market for labor, and are not getting the credit that is due them. I think that when a few men rake up enough money to start a manufacturing concern they are benefitting the whole community.

By Mr. Brown:

Q. How do you differentiate between a manufacturer

employing a thousand men and a department store across the street employing a thousand men. What difference is there?

A. I don't know how you mean. They pay a mercantile tax which is probably as heavy.

Q. They both pay the mercantile tax. What is the difference between a department store that is taxed, and a manufacturer across the street who does not pay a tax on the capital stock?

A. The department store is doing a local business and competing only with the department store across the street, but the manufacturer is competing with manufacturers in other States, and if you soak him too hard he has to get this back out of his customers. You have to treat the manufacturers different from the stores, the competition is so much greater. But I think you should investigate that corporation—foreign corporation.

Q. We are investigating it in every State.

A. I have looked over the Pennsylvania laws at different times. Other States just laugh at us. If we step into New York and take a fifty thousand dollar contract we have got to pay something for doing that business. They stick you on that; they stick you on bank accounts. They do everything in New York to arrive at the extent of your business inside that State line. If a concern's agent happens to be in New York, they come back at you——

Q. You do not think the adoption of such a policy would tend to keep out corporations which may be beneficial?

A. No, I think Pennsylvania is such a market that these fellows have got to come here to sell, and they wonder why they are not charged a little for that privilege. Take a building and construction company that gets a five hundred thousand dollar contract in Pennsylvania. What is it going to cost them? They are going to make returns

and say they haven't any investment in Pennsylvania, and you won't get a cent out of that foreign construction company. If a Pennsylvania construction company goes over to New York, they make that company pay a tax on their contract.

Q. What, in your opinion, is the fairest State in the treatment of foreign corporations?

A. I haven't had time to look into that.

Q. I mean from your experience?

A. I couldn't answer that now. I have been up against it in a dozen different States and there are some of them that don't get enough. I might say that Illinois charges you three dollars for filing papers and Ohio charges ten dollars?

Q. Are you deterred from going into New York to do business because of the method of taxation?

A. No; we haven't thought that thing out. The business has increased there and the question is up as to whether or not it pays us.

Q. It isn't a prohibitive tax.

A. No; other folks have to pay the same tax.

Q. From outside the State?

A. Yes.

Q. Are you able to compete with people in New York paying this tax?

A. Yes.

Q. You don't think if Pennsylvania would adopt such a system that our people would lose the benefit of competition she would get?

A. I think it should be followed up very closely; and even if we got the smallest tax it would be a big thing for the State when you come to consider the amount of business done here by outside corporations.

And then, the last point I made about the surplus. I think we are paying enough, but if we are not, it seems that is the fairest way.

Q. Get after the companies able to have a surplus?

A. Yes. If I am doing business here, there is no reason why I should pay twice as much as you in the State.

Q. If the State wanted to collect sufficient revenue to meet her ordinary needs and make appropriations to the philanthropic institutions, have you any suggestions to make as to where she should get it?

A. Well I have given you the foreign corporations. They would amount to an enormous sum.

Q. It wouldn't be injurious to our people here in the matter of competition?

A. I don't believe so.

Q. I wish you would write us as to your personal experience along the lines you have indicated in the various States, etc.

A. I shall be glad to.

Q. Of course, what you write will be considered confidential.

By Mr. Moyer:

Q. If the State should adopt a policy such as you suggest, of following up the foreign corporations, do you see any reason why the foreign corporations should not be permitted to hold real estate in Pennsylvania?

A. No, I don't know why. There is no reason why they should not be allowed to hold real estate. It is something you can get at. If they hold real estate you can say, "You certainly have got something here."

Q. You think it would be well to encourage them to do it, so we could get at it?

A. Yes.

Mr. Van Cleet:

We had an experience where three-twentieths of one a cent per pound spoiled the business for us on a whole batch of 100 tons. That three-twentieths of one cent per

pound was the entire profit on the whole batch. The point I want to bring out is that a small tax might tend to drive the manufacturing corporations out of the State. I believe it would drive business out of the State.

By Mr. Brown:

Some say in Philadelphia that the additional taxation would drive manufacturers out of Pennsylvania, while others seem to think that this is of small importance—that the natural advantages, closeness of raw material, market, and one hundred and one other elements are a good deal more considerable than that of taxation.

By Mr. Brown:

Mr. Himrod, what is your thought as to the time of return?

A. At present it is the first Monday of November. The new United States law is January 1. It would simplify matters for all manufacturers if the time could be made the same as the United States law. It would give more figures and less estimates.

By Mr. Van Cleet:

May I take issue with the gentleman? We could not make honest returns on January 1. We don't have everything ready. There are a large number of manufacturers who could not make an honest return on January 1, except very wealthy concerns.

J. C. THOMAS, County Solicitor, Erie, Pa., called.

Mr. Chairman and Gentlemen of the Commission: As I understand it, this Commission is here to inquire into taxation in general.

By Mr. Brown:

For the State of Pennsylvania.

Mr. Thomas:

Oftentimes our work has suggested the thought to me that it is very foolish that we have to cart all the money collected in Erie county for purposes of taxation down to Harrisburg and then cart back three-fourths of it to Erie county. It comes at a time when the County Treasury is low. We go down there with four-quarters and leave one-quarter there and bring back three-quarters.

Q. You mean simply return one-quarter that the Commonwealth is entitled to?

A. Yes. Now, as to the taxation, I noticed the board here asked Mr. Robinson if the County Commissioners performed their duty in following up the assessors to see if they made returns. I would like to ask the Board if the Auditor General's office carries out its duties in collecting the tax on corporations in Pennsylvania. In other words, I would say to this Board that in the City of Erie there is a corporation whose returns, according to the affidavit on file in the Auditor General's office, is less than four thousand dollars. As a matter of fact that corporation owns real estate at least six hundred thousand dollars worth; and yet the Auditor General has not collected the tax.

Q. Has anybody been informed of that?

A. The Auditor General has been informed. Now as to the Commissioners carrying out their duties: It is a fact, I believe, that there are many men in Erie county

that are sending their money out of this State to other States and are not paying taxes on it, and I believe they are liable for the taxation. I don't think the assessors get him. That state of affairs should be remedied.

Q. What is your thought about it?

A. I never thought about it. I know it is done right along.

Q. Don't they make any return at all?

A. Well, there are cases——

Q. Why can't the assessors take those men and make returns for them? You say there are a large number. They could estimate them and then add 50 per cent. How is he going to get away from that? The assessors has a right under the law to guess at it. The law compels him to make a return for the man if the man does not make a return himself.

A. The trouble is to get them to do it.

Q. There is law enough to do it. If he makes a return and you put the penalty on, the man has to come to the front, don't he. Then, if he comes to the front you have a chance to examine him under oath.

A. That is probably true. Our assessors are elected and they cater to the wishes of the people and politics figure in it.

Q. The law should be made a little more drastic in some way to compel them to do it.

A. Yes. As a matter of fact the assessors should be appointed by the County Commissioners and the collectors also should be appointed. It seems the County Commissioners would be the proper board to do it. If they didn't return properly then, the County Commissioners could call the assessor up and say, "you are not performing your duty; if you don't we will have you before the Court for non-performance of duty." The way it is now, they are elected by the people and they owe nothing to the County Commissioners. They say, "I am elected by the people of Springfield Township."

Q. What does the assessor get for doing the work?

A. He gets a percentage of the taxes.

Q. Then he has to get his overtime from somebody?

A. The County Commissioners.

Q. Suppose the County Commissioners would say we will not pay you unless you have done the work as the law says you should do it. Don't you think that would make them hump themselves a little?

A. He would get his fee if he had served the time.

Q. Not if he had not performed his duties faithfully?

A. He might be discharged from office, but he would have to be paid for twenty days at two dollars a day, and I am inclined to think he could recover this twenty days' fee, because he put in twenty days' actual service.

Q. Wouldn't the discharge have its effect on some other assessor?

A. That is true; but we cannot reach them now.

By Mr. Hunter:

Q. You cannot discharge them now?

A. Not unless we could show non-performance of duty.

Q. Isn't it a case of mere laxity of duty?

A. I do not think you can enforce the system as long as they are elected. I don't believe you could get the service under the elective system that you could if they were appointed by the County Commissioner.

City Treasurer Pinney: The Commissioners could say, "I will get you appointed for a hundred dollars; that's another thing.

By Mr. Brown:

Q. Some state the judges should appoint them?

Mr. Moyer: The judges pass upon liquor license applications, which are not directly within their other functions, and it seems a safe place to lodge that power. Others suggest that the County Commissioners should have the power to appoint them. The Poor Assessor gets too

much money for his work and the good assessor does not get enough. The suggestion has been thrown at several meetings that five dollars a day would be a fair compensation for a first-class man. Do they work more than twenty days?

A. No, Mr. Robinson can give you the data.

By Mr. Brown:

Q. What do any of them do when not working?

A. I don't know; not much, I guess.

By Mr. Hunter:

Q. Wouldn't it be much better, then, to employ fewer men and give them permanent employment?

A. Well, that would probably be all right in cities.

Q. Why wouldn't it be better in counties, too?

By Mr. Brown:

Q. Wouldn't it pay the county to pay a man by the year to do the work properly?

A. I think it would. You take a man that is made assessor. He can give up a position that he may have and then go back again to it when he gives up the job of assessor which has taken maybe a hundred days. The city assessors, it takes them the whole year; they get around, get their reports in and then it is time to run for the next year.

Q. How does the city assessor compare with the county assessor's work?

A. The county assessor works for thirty days; then they make their report. They don't get very good pay. I suppose they are farmers who don't do very much during the winter, in December and January.

Q. Someone advocated in Philadelphia that the State collect all these taxes from all the counties and distribute them around among the counties afterward.

A. There are a great many people in Erie that would like to come into the City Treasurer's office and pay

the county, school and State tax at one time, and then have the County Treasurer send a check to the County Commissioners for the amount of the county tax, the School Commissioners for the school tax, etc.

Q. That is as a convenience for the taxpayer?

A. Yes.

Mr. Moyer: The amount of money that it would take for a larger salary, that is, for the assessment, would be more expensive under the system suggested, for instance, if they were paid a fixed salary by the year; and yet, it is a fact also, that that would be more than made up by the return because of more faithful service. Don't you think so?

A. Yes, it might be. They don't pay enough so a man can give his whole time to it for that work, they ought to pay a man so he could live. Take in the City Treasurer's office. The City Treasurer has to pay 3 per cent. out of his own pocket for collecting delinquent taxes. I don't know why it should not be right for the city to pay that. He has to put out about one hundred dollars to collect delinquent taxes.

Acting-Mayor Cochran: When the Treasurer, Controller and myself came up we were under a misapprehension and we came over with facts and figures; more figures than anything else. I spoke of the assessment of the property of public utility corporations and the levying of taxes on that property as discussed at a meeting of the third-class cities along in 1909. I went back to the office and found I had a report of that session and I am going to give you this if you care to have it.

Mr. Brown: We have a copy, thank you.

Mr. Barber: You have gone over the tax question thoroughly. Now, as to what Mr. Pinney says about the collecting of the State, school and county tax at one time. It is not so many years ago when the State tried to collect the school tax. That was taken out of the hands of the collectors, and I want to call your attention to the fact that when the tax was taken out of the hands of collectors and they wanted people to come to the School Board office to pay the tax, they were shy about ten thousand dollars; and since they have put it in the hands of collectors to collect it from year to year, the delinquent taxes has been very small. If they all had to come to City Hall to pay the tax I think you would be out some of the tax. These collectors go to a house sometimes twelve or fifteen times before they get the money. If they didn't go, they wouldn't get their money. They have an occupation tax, and if they don't pay the occupation tax, they can arrest them, and somebody has to pay their board while they are in there. They don't do that very often, because it would not pay to do that. I don't think you could improve the Erie system by making any change. I think it is good the way it is.

Mr. Brown: I am satisfied with Erie so far as I have seen of it. An interesting fact about this matter is that

a great many people have the idea that the powers of this Commission are inquisitorial and they are afraid of it. The Commissioners who collect the tax are always willing to be heard, as they like to complain about how hard it is to get the money from taxation; so we never have any trouble in getting the commissioners and solicitors and county treasurers and city treasurers to come before us; but we have great trouble in getting the people here who pay the taxes, because they have to pay it.

We are very thankful to you gentlemen for your kindness in coming here. We have had a very good meeting.

This Commission is not going to do anything rash. We are here to listen to advice and make our report to the Governor the first of July, this year.

Adjourned.

Public meeting of the Commission held in the Lackawanna County Court House, Scranton, Penna., April 16, 1910, being called to order by the Chairman at 10 A. M.

Present: Gabriel H. Moyer, Vice-chairman and Secretary, presiding; William H. Kayser, James F. Woodward, David Hunter, of the Committee; Francis Shunk Brown, Esq., Counsel.

Senator Edw. F. Blewitt sat with the Commission.

By the Chairman:

Gentlemen, this Commission was created by the Legislature in 1909. The purposes for which it was created have been clearly set forth in a circular letter, which I presume the most of you have received and with which you are familiar.

I may say here that it is not the business of this Commission to pry into the private affairs of any corporation. We are simply here seeking testimony and to receive such suggestions and recommendations as we can gather from the views of the citizens of the Commonwealth, and to listen to such views as are expressed by the gentlemen who appear before us. It is our duty to make a report to the Governor of the Commonwealth during July of the present year, and we shall make such recommendations as we may see fit and as will be for the betterment of the people of the Commonwealth.

I understand Mr. Mark K. Edgar is present representing the Board of Trade, and desires to make a statement.

By Mr. Mark Edgar:

Gentlemen of the Committee of the Legislature:—The Scranton Board of Trade have received two or three different communications relative to the formation and the purposes of this Commission of the Legislature, and have been

very much interested in the program of work outlined in that connection.

The matter has been referred to the Committee on Legislature and Taxes of the Scranton Board of Trade, and they have already had two meetings for the purpose of going over these matters and laws of particular interest to this community for the purpose of making recommendations to this Committee. But, owing to the short notice of this Committee received as late as half past four yesterday afternoon, we were taken unawares in the matter, and are not able to make any recommendations here this morning. The Chairman of the Committee is in New York City at the present time, and it is doubtful, even if he were here, whether or not he would be in a position to make any recommendations here this morning.

However, it is the purpose of the Scranton Board of Trade to submit certain recommendations to this Committee, which they will have to do later on.

I thank you, Mr. Chairman, for the privilege of making these remarks this morning.

The Chairman: It has been suggested that any gentleman in the audience desiring to be heard will please send his card up, as we have no means of becoming acquainted with you.

MR. S. S. JONES, of Carbondale, Pa.

Mr. Chairman and Gentlemen of the Committee:—I might say, first, that we are glad you took the pains to come into this locality and give us an opportunity to be heard.

I am here representing one of the first hospitals in this part of Pennsylvania. At no time have we been able to pump out of the State Treasury as much money as we have actually needed. We have made one or two trips to Harrisburg to meet the Committee on Public Charities to endeavor to make them understand just the difficulties we were laboring under.

We have realty and property that represents an outlay of more than eighty thousand dollars. Of that entire sum, about one-quarter has been contributed by the State from time to time. We are receiving at the present time ten thousand dollars a year for maintenance. Our maintenance account has run a little over fourteen thousand dollars for the past two years; the deficiency we have made up by such contributions we managed to get out of the people and out of entertainment. But this does not cover the caretaking of the realty. During the last three months we have been obliged to do repairing to the extent of about three thousand dollars, and we have about as much more to do. We have done this without the funds in sight, and we have trusted to some other scheme by which we can get money enough to take care of it.

It seems along the line of taxation I have nothing to say, unless it was to have a commission to take care of assessments and taxation throughout the entire State.

By Mr. Moyer:

Q. The title of this realty of the Hospital is vested in whom?

A. Vested in the Board of Directors.

Q. Do you think the State of Pennsylvania should continue its liberal policy of making appropriations to private charities where title of the property is not vested in the Commonwealth?

A. Under some conditions, yes. But I would rather be in favor of having the State take over the property or take over a general oversight of the institution. If that could not be done, then I would be in favor of having a local commission; that is, a commission made up of a number of men who could familiarize themselves with the work, but also inform themselves as to the difficulties we have in raising funds among our people.

Q. What is your hospital?

A. The Emergency Hospital.

Q. What would you say as to a consolidation of some of your hospitals?

A. I believe that would be a practical plan. We have managed our hospitals along the most economical lines.

Q. Where would you consolidate your hospital?

A. I don't know that I could exactly answer your question. We take care of a district that extends forty miles east and thirty miles west. We are the center of a very large district. There are four railroads and we have to take care of the accident cases of these railroads. There are forty or more collieries where accidents are occurring weekly; and we take care of these. Last year we had four hundred and eighty-two people at our little hospital.

By Mr. Hunter:

Q. Do the local collieries contribute to the support of the institution?

A. The Delaware and Hudson have contributed three hundred dollars a year.

Q. About how much would you spend on their cases?

A. I cannot give you that definitely—about thirty or forty dollars a week.

By Mr. Brown:

Q. On that one company?

A. Yes, sir.

Q. How many other companies are there?

A. Three others.

Q. Do the others contribute at all?

A. They are not contributors.

Q. How much are you doing for them?

A. Well, perhaps one-third for each of the other companies.

Q. Suppose you would put them on a per capita basis, the State paying you so much a day for each indigent patient, instead of paying you a lump sum?

A. That is the basis now. They pay at the rate per week.

Q. Suppose they paid for each patient by the day; would that make any substantial difference?

A. I suppose it would.

Q. How are your beds? Practically filled the year round?

A. Some part of every month they are filled.

Q. Does the State appropriations eliminate private contributions in any way?

A. I cannot say it does, but it is a rule that any emergency case is cared for without charge.

Q. Do you think the State's giving money to the institution is an incentive for others to help?

A. Not always. The institution is looked upon as public property—it is ours and we have a right to go there.

Q. Do you think you would get as efficient management under the State as you are getting under your local interests and local help?

A. I think we would get along very much better if the hospital would do the work it is intended to do.

Q. You don't think the supervision under a Board of Charities is sufficient to produce the efficiency that should be—

A. Well, for the reason that these gentlemen come around once a year and spend an hour with us and we don't have a chance to become acquainted with them.

By Senator Blewitt:

Q. Does your institution publish an annual report?

A. Yes.

Q. Would you mind seeing that the Commissioners get a copy of it?

A. I will see that they do.

By Mr. Moyer:

Q. I understand you are a former member of the Legislature?

A. I was a member a long time ago.

Q. Assuming that the State has insufficient revenue for the purpose of continuing its policy to care for the building of public roads, and for the appropriation of moneys to private charities and for the purpose of taking care of the poor people of the Commonwealth and the unfortunate people, and that more revenue is required, what would you say as to the advisability of taxing the natural resources of the Commonwealth? For instance, levying a tax upon coal?

A. Well, I am governed in making answer to that question by a selfish reason, by the interest I have in maintaining our local institutions. Inasmuch as land owners, corporations and individuals are expected to contribute a large share of the State's revenue, I should say that everything that is taxable should bear a reasonable amount of taxation.

Q. What would you say, for instance, of a small millage form of taxation being placed on manufacturing corporations on their capital stock?

A. I cannot answer that question because I am not familiar with profits along that line.

Q. Under the Exemption Act of Pennsylvania, they are exempted from paying any capital stock tax. You are a member of the Board of Trustees?

A. Yes.

Q. As a manager of that hospital, you take in injured persons. If an employee of a manufacturing corporation were injured, you certainly would not close the doors upon that employee?

A. No.

Q. Assuming that the manufacturing corporations, through their employees, receive treatment at such hospitals, isn't it a fact that they should bear their just share of raising revenue of the Commonwealth so that the State may continue its policy of giving appropriations to these private charities?

A. I believe that is correct, if it can be equalized in some way, so that each would pay their share. As it is now, we receive occasional contributions from some of the small manufacturing concerns; but the amount is not in any way adequate to the services we give.

Q. Very small in comparison?

A. Yes. Another thing that is peculiar. We take care of everybody or every accident case. If a stranger is taken sick in the State, we take care of them, without charge. I have often said to a patient about the time he was discharged, "While you are here as an emergency case at the expense of the State of Pennsylvania, or an institution of Pennsylvania, there is no reason why you should not contribute what you feel you are able to contribute. Well, I have done that hundreds of times, and I never received but two contributions—one was ten dollars and the other was five. People expect to be taken care of without charge in institutions of this kind. They are things we have to work against. We take care of wealthy people who are able to contribute, but they don't feel called upon to do so. We are supposed to take care of all accident cases. We take up a collection (at least we try to) asking the men to contribute a day's wages. Aside from the first two, we have not been able to collect 8 per cent. of the approximate amount earned.

By Mr. Brown: "

Q. I suppose if the State did not appropriate money, these people would feel bound to pay. They would assume that there would be no other means of support of the institution?

A. Well, that would be pretty hard, I suppose. I don't know what would become of the institution if the State did not contribute as liberally as it is appropriating now. It is contributing perhaps 70 per cent. of the cost of the care-taking of the patients.

By Mr. Hunter :

Q. You state the State contributes ten thousand dollars per annum towards the maintenance of your institution?

A. Yes, sir.

Q. How do you make up the other four thousand?

A. The Ladies' Auxiliary gives entertainments occasionally.

Q. Do you have any pay patients?

A. Yes, our pay patients last year brought us approximately twelve hundred dollars.

Q. Leaving twenty-five hundred dollars to make up?

A. Yes, or thereabouts.

Q. Your institution is practically a free institution?

A. Yes, it certainly is. We take care of the deserving and the undeserving.

Q. If you continue to receive ten thousand dollars from the State, don't you think you would be able to collect a considerable amount from your patients?

A. We have not been able to. We have had a deficiency every year that has accumulated, now reaching approximately fifteen thousand dollars.

By Mr. Moyer :

Q. How many free beds do you have?

A. Forty-three or four.

Q. Always filled?

A. Of course, we cannot say they are always filled because they are divided into surgical and medical wards, and sometimes there are two or three empty beds in those wards.

By Mr. Hunter :

Q. At times they are all filled?

A. Yes. More than that, we have had as high as fifty-three beds and had to use the sitting room to put up cots.

JUDGE H. A. KNAPP, Scranton, Pa., called.

Mr. Chairman and Gentlemen of the Commission:—I certainly appreciate the privilege of being permitted to address the gentlemen of the Committee on the visit of the Commission to Scranton, although I was not aware of the coming of the gentlemen until yesterday.

I suppose one of the questions to be considered by this Commission is that of State appropriations which are made to charitable institutions in this vicinity. In addressing myself to you, I wish to be very brief, indeed, and do not desire to take up too much of your time.

I, perhaps unfortunate for myself, have been to a certain extent, associated and connected with two or three of the charitable institutions here, and have, from time to time, appeared before committees of the Legislature which have come to Scranton, and, also, at their sittings in Harrisburg. I have formed a very definite opinion in regard to the conducting of the charitable institutions in this vicinity.

As to the charitable institutions in this section, I think we have much wiser, and economical, and careful, and efficient management by the directors and officers that are chosen to manage them.

In regard to the question as to whether or not it is advisable to continue to appropriate money to charitable institutions that are not under State control, I don't know that my opinion would have much weight; but I should say that if there is any question on the part of the State as to that, there would be no objection so far as these institutions here are concerned to have the State assume control. I mean by that by the appointment of such officers and directors as they do in other institutions. The State appoints members of the Board of Directors of the State Hospital here which is under State control; they are local

men; and there would not be the slightest objection so far as charitable organizations are concerned, to the appointment of a local board here to conduct these organizations. I think I can speak for almost all of the officers and directors of the organizations here in this matter. I know I would be immensely relieved if someone could be appointed to take my place as President of the Board of Associated Charities, Director of the Consumptive Hospital upon the Hill, and as a member of the Board of the Home for the Friendless. If the State would fill these three offices it would remove a great load from my mind.

By Mr. Woodward:

Q. That is, obligate the State to support these institutions in their entirety?

A. I don't know as to that. I can only speak for the three I have mentioned. None of these three have ever received one-half of their revenues from the State, although the Home for the Friendless has been more liberally helped by the State in the two past years of the Legislature; but, yet, it has spent as much derived from private sources as it has received from the State. That is in this latter time. In previous time, it received nothing from the State. So that by careful and economical management and by the charitable inclination of the people it has created a fund out of which it has built a large, fine and handsome building worth I don't know how much—several hundred thousand dollars. It is true, during the last two sessions of the Legislature they have been quite liberal, because they had to build an extension and had to make extensive repairs to the old building, and so they received, I think, at the last Legislature, eighteen thousand dollars for two years; and the Legislature before, I think sixteen thousand dollars; prior to that they never received anything more than about three thousand dollars for two years. Now these three institutions I speak of have always put as much from their private sources toward their expenses as they have

received from the State; and I can say of these institutions that they are carefully, economically and efficiently managed; and I believe the State would be at liberty to appoint a member or members of the Boards of Directors, and they would be welcomed on the part of those who are now in charge.

Now, I think it would be an unwise move if the State were to discontinue appropriating money to these charitable institutions. They have been allowed to grow up here fostered by the State; they have served a useful purpose; and to withdraw suddenly and entirely the support of the State from these institutions would certainly break them up, destroy them. The people here are supporting them liberally and to the utmost of their resources. If the need for that was doubled, I think the Committee can readily see it would be too much. Most of these charities would go by the Board. They would have to be closed up and they would be withdrawn from their useful work. The sentiment that seems to be springing up and seems to be growing in some quarters of the State do no longer appropriate sums of money to charitable institutions not under State control, I hope will not become the prevailing sentiment, because I think it would be, as far as this particular city is concerned, a public calamity.

By Mr. Brown :

Q. Your thought is that if there is not sufficient revenue collected for the purpose of maintaining these institutions as they are maintained, and also for the normal increase annually, that additional revenue should be collected by the State?

A. Well, now, in regard to that, I think the very greatest care should be exercised in extending this to new institutions. I can see that the encouragement given by the State by appropriating a sum of money to an institution, will induce somebody else to say, 'Let us start a new hospital; the State will sooner or later contribute to the sup-

port of it.' Now, perhaps the startling rapid growth of these things should be checked. We ought to be very careful in taking on new objects, so people would not be encouraged to start these new charities. Then I think that very great care should be taken that the appropriations are not larger than are actually needed. I don't think they should be allowed to grow. I think ten or fifteen years ago the State of Pennsylvania was exceedingly liberal to its charitable organizations.

Q. Isn't there a normal increase in the needs?

A. Yes, I think so.

Q. Would a per capita basis do? Let the State pay so much a day for the maintenance, care and support of its patients?

A. I think the State would be paying even more money than now if they did.

By Mr. Moyer:

Q. Wouldn't it be more equitable?

A. Yes, possibly so.

Q. That would be the result sought by the per capita basis. The complaint seems to be in certain sections that more money is being appropriated than in others, some of the counties getting more than they really should.

By Mr. Brown:

Q. Would it be possible to consolidate the hospitals in the city of Scranton. It has been suggested that there are too many hospitals, and that one hospital could be better qualified to do the work, better appliances, better facilities, etc., than by distributing the money between three or four hospitals.

A. I am not intimately connected with the hospitals to make my opinion very heavy. The Lackawanna Hospital is an institution of the State, and the Hahnemann Hospital has a different school of medicine. I am not connected with either one. No doubt the Committee will hear representa-

tives from these institutions. The West Side Consumptive Sanitarium I am a director of, but that you see is a consumptive hospital, and the only objection we have had was that none of the other institutions, or hospitals I should say, would take consumptive patients at all.

Q. Why shouldn't they take them? Why shouldn't there be a consumptive ward in the hospitals?

A. That is a question of hospital matters on which my judgment would not be good. As the Committee knows that in the first instance the treatment of consumption requires some altitude. It requires the patient to get out of the city; it requires pure air—purer than you get in the cities; it requires special treatment in the way of diet, etc. Whether it is possible or whether it is not, the fact remains that it was impossible to get consumptive patients admitted into any hospital in Scranton, and the consequence was that these consumptive people were obliged to stay home and the disease was spreading rapidly until some of the people here decided it was about time there was a place where consumptives could be sent for treatment, so they purchased a piece of land on the top of the West Mountain about four or five miles from where this Committee is now seated. The air is fine; it has a grand altitude; it is several hundred feet higher than the city and the air is absolutely pure; and there we have maintained it from that time, year after year, for the good and benefit of our city, asking State aid every time but not receiving it until the last Legislature, when they were given the sum of five thousand dollars for two years. That is not more than one-third of what is expended there. The people admitted are poor almost altogether, none paying the amount it costs to keep them there, because the diet of milk and eggs is an expensive diet. They keep there on an average of twenty-five patients, and they have cured many and have improved many. Some have gone there so low that there was absolutely no chance for them. The result, on the whole, has been good. It has been demonstrated that it is a beautiful and magnificent charity, but it needs the State aid. It needs more.

By Mr. Brown :

Q. Assuming there is an absolute need on the part of these meritorious institutions for more money than the State is now collecting; do you think the list of taxables should be increased for that purpose?

A. That is a subject that I have not considered.

Q. You have to look at both sides of the matter.

A. This is a matter I have given so little thought that my opinion would not be worth anything.

By Mr. Hunter :

Q. Each one of these institutions you have mentioned, I assume, has its individual superintendent, its own clerical force, engineer, etc. Why can't they be under the control of one man, these several institutions, one superintendent to care for all of them, with a slightly increased salary?

A. You see you get back into the hospitals again; I don't know anything about the hospitals with the exception of the consumptive hospital; they pay one lady there who is a trained nurse. She is engineer, bookkeeper, superintendent and everything. She stays there the year round and takes care of the place. There could not be any more economical management than there is there. The Home for the Friendless is different; they have a matron and a hundred people under her; old ladies and children; that is the kind of people they take there—old ladies without homes and children without homes, from Scranton and various parts of Lackawanna county. She is absolutely necessary there; nobody could take her place there. There is no expense there that is not absolutely necessary. The only other institution I am familiar with is the Board of Associated Charities, and that is quite a different thing altogether. It could not be in any way consolidated with or come under the same management or connected with the Home for the Friendless or one of these other hospitals. It has its office here in the city. It is a Board of Associated Charities, and Dr. Israel is here, who is secretary of the Board; and I hope the Committee will hear him.

By Mr. Woodward:

Q. It is made up of the various charities throughout the city?

A. Yes, a sort of a clearing house for the Associated Charities. It has a wide-awake officer who is always on the job; she is an officer appointed a police officer by the city, and she is out on the streets of the city from early in the morning until late at night. When she sees poor children on the streets, and when she sees anything out of the way on the streets, or neglected girls, it has her most constant attention. Wherever these are observed they are helped by being sent to these various charities. It is a sort of a clearing house. I think most any man in Scranton would tell the Committee that this has been the source of an immense amount of good.

DR. ISRAEL, Secretary Board of Associated Charities,
Scranton, called.

Mr. Chairman and Gentlemen of the Committee:—I hardly think it necessary for me to take up your time. I may say that the Board of Associated Charities was established seventeen years ago. It is a sort of a clearing house such as can be effective in ministering to the miserable condition of the submerged people of the city. Our association ministers to all those who are seeking to reclaim their lives, whether men, women or children. She investigates parents whose daughters are brought here from the country and she keeps her hands on all those things through the advice of counsel, a board composed of fifteen men made up of the representative Christian bodies of the city. In this way we try to keep, and I think we have succeeded in keeping, a very large part of the misery of the city under control, at least to a certain extent. We are now progressing in the development of a home for boys. We have five or six that we are now taking care of by boarding them; there are forty to fifty that we have now arranged for, and we have rented an institution in which we hope to open a boarding house for boys to tend toward the salvation of what we might call the submerged ones of our community.

I am a representative of another institution which, I think, demands a great deal of attention from the Legislature; that is in connection with the Oral School, of which I wish to speak. This teaches the deaf mutes how to speak. The school is under the control of the State insofar as they appoint the representatives of the directorship. But we have received so little that we have not been able, except in occasional years, to meet the running expenses of the institution. I think this institution that is directly interested in the educational part of the work of the State should be receiving a certain sum, considerably beyond what it is receiving to-day.

By Mr. Hunter:

Q. I am of the opinion that this associated charity is a most excellent work. I don't think they have gone far enough with their work. Why couldn't they, instead of stopping at the aid of those who require it, go further, and see that the State, who is a large contributor to these institutions, and other individuals who contribute, are protected also? It seems to me, if they would have representatives to this Board of Associated Charities—a member of two from each of these several institutions, they could get together and jointly determine the amount of help required from the State, and have it properly distributed.

A. We would be delighted to do that, if the scope of the Associated Charities could be made as broad as that.

By Mr. Woodward:

Q. Do you think you could get the Associated Charities to do this?

A. That is a question; there is no objection on our part.

By Mr. Brown:

Q. Why shouldn't these people get together and determine the best distribution of the State's money?

A. That is something I have not brought up. It seems ideal if it can be done. Would your appropriations then be so much, to be divided among these institutions in accordance with the judgment of the representatives of the institutions?

By Mr. Hunter:

Q. That would be in line with my idea. I mean to have representative citizens of a community to determine jointly what was required in their community for the several institutions, and go before the State authorities at the proper time. I think that would be much stronger than a representative committee from the individual institutions, because they have their own ends to answer, or their axe to grind, and are trying to get as much for their own institution as they can.

A. Might I ask if it would make any difference in the main. The Boards of the institutions that are represented here today are representative men of this community. You have the leading business and traveling men, in every respect, in the community. If these men would get together, wouldn't it result in each institution being represented by these men, putting in the same claim, feeling the needs of the case, as they do. They could simply combine the amounts in presenting them to you in combination, rather than for the individual institution.

Q. Not all. Some of them; in the case of an institution asking too much. In other words, I think the effect would be a more equitable distribution of the funds.

A. I believe that could be met without the slightest trouble.

By Mr. Brown:

Q. Have you given any thought to the comparative cost of these different institutions?

A. As a whole?

Q. I mean severally, as to the cost of supplies. Some one has suggested that considerable money could be saved by having a State department to buy the supplies for all the institutions throughout the State and to furnish them to institutions on requisition. It has been suggested that the State could buy 25 per cent. cheaper than the institutions?

A. I don't suppose where things are bought they are bought as low as they might be in much larger quantities at wholesale. One-half of the things that are used are given them by the merchants. They stop there and just leave the things and don't ask any pay. The home has been established so long that it just lives in the eyes of all the people.

Q. If you bought your supplies outside you would probably drive these people from doing this?

A. That is what I think.

JUDGE EDWARDS called.

Mr. Chairman and Gentlemen of the Commission:—I wish to bid you good morning, as I am very glad to see you here. I didn't know you were in session until this morning. I was under the impression that you were to be here at 1 o'clock this afternoon, and it was only by the merest accident that I heard you were in Court No. 2. A gentleman called at the office a while ago and said: "What is going on in Court No. 2? The room is full of people and there are five very good looking men on the bench." I came here and found the Commission. I am very glad to see you here, and glad to see you going around the State to see if you can devise some reasonable way, some satisfactory way, to solve the problem you have before you. I think you have the heartiest sympathy of all the thoughtful people in this State in the effort you are making.

I don't know what line your investigation will take up here, but the first thing I want to impress upon you is (and my knowledge is confined to Lackawanna county, as to the charitable institutions of this county) that your efforts should be not to diminish in any way the appropriations made for charitable institutions in this county, but to devise some means by which you can have more money from this State in order to increase the appropriations for the hospitals and other charitable institutions of this city.

By Mr. Brown:

Q. To which, I suppose, you would add the public schools and building of roads?

A. Well, the public schools, by all means; but not the building of roads. The roads will be for the future; the charitable institutions are for the present, as are the public schools. I am in favor of good roads and all that.

How will you get more money? I don't know. If I was a member of this Commission, that would be my great ambition—to devise some satisfactory way by which the revenue of this rich State could be increased. Very likely you gentlemen have some plan, some suggestion along that line. Shall we put a tax on coal, for instance? Well, I don't know. I thought maybe my friend Judge Knapp, who represents most of the coal interests in this county, would say something about that. I see no objection whatever in taxing the coal and riches that come out of the land of this county and using that money for the support of the community and charitable associations and institutions of this county. I know of no reason. There is no constitutional objection. It would be a tax that would be easily devised and the least felt tax of any I know of. I have always thought there should be a tax of so much, if only one cent a ton or two cents a ton, and that money should be appropriated, not for roads and public schools, if you please, but should be appropriated to the needs of these charitable institutions which have been made necessary on account of the taking out of these riches from the very earth. There is where a part of this money should come from.

Q. What is the general sentiment in this community in this respect?

A. About the same, as I make it. Everybody, except the owner of the coal beds. They are pretty reasonable, too. I think they would come along. The coal corporations in this county I know as well as I do anybody in the county, and they are charitable men, liberal men, and I think they would come along.

Q. Why shouldn't these interests get together and suggest to this Committee what they think would be a fair tax for this purpose—not leave it to the Committee to guess; we should then have the benefit of every thought on that subject?

A. The difficulty would be that it is pretty hard to get

a body of men together to get them to agree as to a system by which you can take money out of their pockets.

Q. The Manufacturers' Association of Philadelphia sent a representative before us, who said: "Assuming that there is not sufficient revenue, that there should be more for this purpose, and there should be a tax of one mill on the capital stock and that this tax would be satisfactory to them. Why don't some of these other interests come forward and offer to pay their share of the burden?"

A. I think the suggestion is a very good one. Of course, my suggestion is not of a general character; it is in regard to the money received from such a tax; I want the money that would be received from a tax on the tonnage of coal in the anthracite and bituminous regions appropriated for charitable purposes, because it is that character of industry that has made these institutions necessary in this county.

I am president of the West Side Hospital Association, and I am now going to the other side of that. I only use this as typical of the hospitals in this city and county. They are all alike. I don't want you to run away with the idea that the people of Scranton are not taxed to the utmost in support of charities in this city. They have their hands in their pockets all the time. There is hardly a day, and I know not a week, that the best people of the city are not called upon in one direction or another. Let me give you an illustration, and the reason I mention it is the condition of the West Side Hospital. It is on the west side of the river. Four years ago, the State of Pennsylvania, seeing the character of the old building that was there, appropriated eight thousand for the purpose of starting a new building. We built it, and it cost us forty thousand, and we still have the building up there, and it is one of the best hospitals according to its size in the State of Pennsylvania. We never would have put that forty thousand dollar building up there unless, four years ago, the Legislature had given us eight thousand dollars to start a new building. We would not have assumed the

responsibility, but we thought it safe to assume it, because, when the Legislature met they gave us twenty to twenty-five thousand dollars to pay upon that building; but the Governor had to use his blue pencil and strike it out. We never would have put up that building unless it was that the eight thousand had been appropriated. There is a population there of forty thousand, almost one-third the population of this entire city. Ninety-five per cent. of the people over there are wage-earners and widows and orphans. Whatever money we get we get from private patients. We only got about fifteen thousand for two years, and still, we have had as high as forty-seven, forty-eight and fifty patients there at a time. According to my records, we got about five hundred dollars a quarter from private patients, and used all of it to maintain the others. Ninety-five per cent. of the patients in the West Side Hospital are charity patients; they haven't a cent of money, and, therefore, there is no use in talking about their being able to pay.

Q. Why wouldn't a county like Lackawanna take care of its own?

A. You give us the revenue from this county and we will take care of the charities of this county—yes, and of Luzerne with it. Give us the money we pay the State and we will take care of five counties, of five aggregations of charitable institutions, such as we have in Lackawanna county.

Q. A poor county that has not such revenue cannot take care of its own. The State ought to take care of its own?

A. Undoubtedly. Let me make one suggestion, which I like very much. It would be a good idea to have some Board put here in Lackananna county consisting of seven, or nine, or eleven men—some odd number that shall be a kind of a clearing house as to how the appropriations for the charitable institutions in Lackawanna county shall be distributed. The only way I can see in which you can do that is, just as soon as the Legislature meets next

winter, have a bill offered in the House and Senate and passed to appoint such men, who shall sit permanently.

Q. That would be more effective than the Board of Charities?

A. The State Board of Charities is no use to us up here.

Q. Have you given any thought to this subject? Suppose the State of Pennsylvania has not enough revenue to finish her State institutions; should she do that first, or should she appropriate to institutions not under State control?

A. Well, you certainly cannot cut off the appropriations to these hospitals that have been living on State aid.

Q. What is your thought—is Pennsylvania practically the only State in the Union that appropriates money to institutions not under her control?

A. I think so. It is one of the proudest tiaras in the crown of Pennsylvania that she does take care of her charity patients and poor people. It is a great honor to the State of Pennsylvania, and I don't want them to fall down upon it.

By Mr. Moyer:

Q. What do you think about the question of the consolidation of hospitals?

A. Well, if it is under control of the State it would not be as convenient. You talk about the State buying the supplies for the various institutions and the institutions being furnished with the supplies upon requisition. I never heard of the State buying anything cheap, or putting up a cheap building. The management of the West Side Hospital makes requisition quarterly and gets bids from wholesale houses, and I imagine we can buy as cheap as the State—cheaper. I don't see how consolidation is going to help them. The expenses of these different hospitals are very small, comparatively, the moment you get outside of Philadelphia. I know in our own county everything is run on a very economical schedule, and we

are putting our time and money and best judgment into these institutions in order to produce the best results. You wouldn't think of consolidating all the management of the hospitals in Scranton?

Q. Isn't it a fact that there are too many hospitals in Pennsylvania to-day?

A. Yes, sir.

Q. The complaint seems to be general where there are two or three or four doctors not getting along very well, they meet and form a medical organization and call on their influential friends to have an appropriation given them to start a hospital?

A. Yes, that is right.

Q. That is the complaint that is coming to this Committee.

A. Isn't there an authoritative body that has a right to decide whether any body of men or any hospital organization has a right to go ahead and build any kind of a building without permission?

By Mr. Woodward:

Q. They take out the contract and go ahead without consulting the State Charities or any other Board. Some of them overlook the fact that they should make application through the State Board of Charities, and later on to the Legislature to ask its members to appropriate money——

A. It should be that nobody could start a new building of any kind without first having the permission, after investigation of an authoritative board representing the State.

By Mr. Moyer:

Q. If the State appropriates money for the purpose of erecting buildings where the title is not vested in the Commonwealth, shouldn't the State have prior lien?

A. It has under the Act.

By Mr. Woodward:

Q. Wouldn't it be a good idea if each community would erect its own building, and then the State assist in the support of the work after the building had been erected by the people of the various local communities? It would tend to eliminate the criticism you make.

A. Under power of some board——

By Mr. Brown:

Q. If they didn't get the preliminary authority they couldn't erect the building?

A. Yes, that would be a good idea.

Q. Have you given any thought to the taxing of manufacturing corporations? What is the consensus of opinion in this community as to taxing the manufacturing corporations?

A. I have no knowledge at all. I think it would be proper to levy a particular per ton tax on all coal mined for the support of the charitable institutions. You will have to depend upon men who have devoted their time to the science of taxation. It is not a thing that can be considered off-hand. It stands to reason that every coal land owner and miner should at least provide for the consequences of mining it. I have always been in favor of the English Act by which all corporations are obliged to care for their own employees and pay for all damages arising from accident, so long as the negligence on the part of the person hurt is not of a gross character.

Mr. Moyer: Before Judge Knapp leaves the room I would like to have an expression of opinion from him regarding his views of the taxation on coal, or the natural resources of the Commonwealth—on coal and oil?

Judge Knapp: You can readily understand my situation in regard to that. I am a practicing attorney here and have all kinds of clients. I would have to be excused on that account.

Judge Edwards: I would make a suggestion that if there is any way you can get the heads of the coal companies together that they will, no doubt, fall into the requirements of the Legislature.

Mr. Brown: This Commission has got the power of the Legislature to subpoena, produce books and papers and go to the outermost limit. We have yet to issue the first subpoena. It seems to me they should all come forward and say what should be done for the common good.

A. I don't suppose they have had an opportunity.

Q. We send out nearly forty thousand letters to every interest in Pennsylvania, every one; we asked them to give suggestions so as to give all interests an opportunity to present their views. We have probably received four or five thousand replies.

A. They might have such a letter drafted before the Committee in Harrisburg. I have no doubt they will be there.

SENATOR EDW. F. BLEWITT.

Mr. Chairman and Gentlemen of the Commission : Judge Edwards talked on the very lines I wished to speak about ; that is, the taxation of coal.

As you are aware, in the anthracite regions that begins down in Dauphin county very close to the capital and runs a distance of twenty miles from here—they mine during the year sixty millions of tons of coal. Most of that coal is taken out of this State ; it is sold in New York, in the East, a little in the South, some in the Northwest ; but it is a product that leaves here and goes outside of the State.

To my mind, a tax of two, three, four or five cents a ton would not be an improper one. In the first place, the people of the Commonwealth would not have to pay for it ; it would be the persons on the outside. All this is familiar to residents of the anthracite regions.

Now, there are a great many things about our hospitals that might be explained.

In the mining of this sixty-six million tons of anthracite coal in this district, there are killed during the year in the neighborhood of six hundred people who leave many wives and hundreds of orphans. These widows and orphans are in most instances helpless. There is no remedy for them ; the State does not provide anything for them and the result is the little boys and little girls you find in the mills and the factories, and who are under age, and in many instances, where their mothers swear they are, are there as a consequence of this condition.

If we could arrange to tax five cents a ton, that would be in the neighborhood of three millions of dollars for the State.

Every day, night and Sunday they are taking the coal from this Lackawanna Valley, and the county of Lacka-

wanna; this is going on for twenty-four hours in the day with the result that within the lifetime of the youngest man in this room, we will be denuded of coal in this county and we will have nothing left here except a few little manufacturing plants here and there; and because they cannot get coal, even they will go away, too. I urge this Committee strongly to put a tax on coal, not only anthracite, but bituminous. We can go further than the coal; we go to the oil. In the State of Pennsylvania, the oil derricked runs away up into the hundreds of millions of dollars and Pennsylvania doesn't get a benefit of a cent of it.

I owe money myself on property, about six thousand dollars. I am paying four mills on that six thousand dollars to the State of Pennsylvania and there is no reason why a poor man should have to pay that four mills. Why don't those other interests pay that that are taking all their money away from us? Why don't you tax them and relieve the poor man who buys a home? Instead of my paying 6 per cent. on my loan, why shouldn't I pay only 5 6-10 per cent.? Let the one who is reaping the benefit of our valleys here pay for it. I think the sentiment of this valley from one end to the other is that a tax on coal would be just. Besides, it would not be a tax on the corporation; it would be too small. Going outside of these valleys are one hundred and sixty-six millions of bituminous coal and sixty-six millions of anthracite coal. Now, suppose we have a tax on that of two cents a ton; there is an income of four millions of dollars. The State of Pennsylvania is not in debt; it does not owe a dollar. It is the only State in the Union that is not in debt. At the last Legislature, we provided for everything. It is a fact that our hospitals do not receive what they really should. I am speaking of my own district in comparison with the other sections of the State. Talk about amalgamation of hospitals. That is out of the question in this section of the State. Hospitals are to be

considered local in the sense that Judge Edwards was talking about the West Side Hospital removed from here about a mile. Over there they have a population of about forty thousand; the mines are back of it. Now, when a man is injured in the mines you cannot rush him over these hills and cross this hill here to get his wounds taken care of, because it means his death; but you have to send him to the hospital close by the very breakers or mines in which the accidents occur. You must have one in the industrial section. It is this way in Philadelphia; almost every two or three blocks there is a hospital in the industrial section. It is different entirely in the Schuylkill district in Lackawanna county. I don't know every hospital in the State, but I know this: that it is a fact that, in my opinion and in the opinion of others that is well founded, that a great deal of this money is misapplied. But it is not in this section of the State. We have an institution record here in our hospitals that is not followed by the other parts of the State.

I went to the Governor a few years ago and had appointed twenty-five leading citizens of Lackawanna county on the Hospital Board, of which Dr. Israel is a member; it is composed of ladies and gentlemen. We have met and organized and have some notes on each hospital in this district. In their capacity they are going around, and they take one hospital one month and one the next and so on, and it is a continuous performance until they visit every hospital in this district. I hope at the meeting of the next session, when our members of the Legislature are asked to present bills to the Legislature, they will have their report ready. I know they will. The personnel of the members is sufficient guarantee. They will tell us what they should be given for these hospitals. The appropriations to hospitals as given by the Legislature are wrong. There is something wrong with the principle. Some of them get larger appropriations by political stamina; others from some other source. There is no uniform-

ity. Then again, I am deady opposed to giving any appropriation to any hospital except under this special stipulation. For instance, if the State gave the Hahne-mann Hospital, one of the institutions of our city, fifty thousand dollars for maintenance for two years, I would make a lien against the property ; and if, after the Auditor General had gone over the books and satisfied himself that the money was judiciously expended and for the purposes for which it was given, I would remove that lien ; that would cut off any misapplication of funds.

Now, as to the mercantile tax. The mercantile tax is, in a way, a fair one. In the first place, let me give you an instance. A man came to me the other day and said : "I am worth five hundred thousand dollars all in real estate ; John Smith has five hundred thousand dollars in his store. All he has to pay is a two hundred dollar mercantile tax. Do you think that is square?" I put this same proposition up to this Committee. Now, I believe a great wrong is done in the application of the mercantile tax on the small merchant. We have in this valley men who are bereft of their limbs, or widows, or some persons who are unable to go out and earn a livelihood, who start a little store, maybe, for their little orphans, but they are put on the mercantile list and have to pay their tax. I think that is entirely unjust and improper. I think the law should be changed so as to eradicate such a system.

As to the propriety of taxing the larger corporations that have all their money invested in them, I think it would be a good idea to make the tax larger. The tax should be equalized. The burden should not be all on real estate.

By Mr. Woodward :

Q. How about manufacturing corporations?

A. I think the manufacturing corporations should pay their tax. Now we have a way in Scranton, and in some of our borough towns, that when a manufacturing company

comes into our midst, we give them relief for ten years from the payment of taxes. I think when any manufacturing company exceeds this it is making money for its stockholders and should bear its burden of the tax—its full proportion. I feel that we should equalize the taxation, no matter which way it runs.

In the matter of taxation, I don't know whether it would come within the scope of this Committee or not, but I want to speak in the matter of the election of assessors. We have examples here in Scranton. Certain people of influence take more pains over the election of a tax assessor than they do a President of the United States. If we had the whole seven assessors of Lackawanna county elected by the people, it would be the best way.

By Mr. Brown:

Q. You mean by the people at large?

A. Yes, I think they should elect our assessors; let them be responsible to the people and not to any board or anything else.

Q. You would not favor appointing them by the County Commissioners?

A. I would not, no.

Q. That has been suggested in several counties—to have them work directly under the County Commissioners.

Judge Edwards:

I hope the present gentlemen who will be in the next Legislature will support Senator James' bill on that question of assessing.

JOHN J. DURKIN, County Commissioner, called.

Gentlemen of the Commission:—As far as the hospitals are concerned, I don't know a thing about that. Upon the taxes and that sort of thing I have had some experience. I cannot see why a corporation should get out of paying on its building. Take the traction company, the telephone company, the electric light company; they buy a lot, or buy a building, and after they buy it is exempted from taxation. I cannot see why they should not pay a just amount. The same way with railroad companies, and then, again, the banks.

By Mr. Brown:

Q. Is that the sentiment of the people that the public service corporations should pay a tax for local purposes.

A. Yes. The banks used to make a return to the County Commissioners of the money on loan. We don't get that any more. Of course, we lose that amount of money. And then, these other institutions, they used to make a return of the money. We don't know anything about that. We were down to Harrisburg one time and asked for the State books of this section, but we didn't get them—we wanted to get—

Q. How long has that been?

A. About four years ago. And then the express companies: I think the law should be changed on that. If they have twenty or thirty head of cattle, we cannot assess that twenty or thirty head of cattle; they are exempted. I think that is a very queer law.

Q. How do you follow up your assessors? Do you give your assessors guide books?

A. Yes, what we call a blotter.

Q. You give them the blanks that the Auditor General furnishes you?

A. That is, the State tax blanks?

Q. Yes. How do you know how many to give them?

A. We get it from the record of deeds and mortgages.

Q. How do you check them up?

A. When they come in?

Q. Yes.

A. By a book.

Q. Suppose you find many of them are not returned, do you make any search for them?

A. Yes, we send out notices for them to make their returns or we will estimate them.

Q. What is your thought on the money on interest as evidenced by certificates of deposit in the trust companies and banks?

A. Don't have any.

Q. None here?

A. No.

Q. Don't your individual taxables return any of that?

A. Only trust companies.

Q. How would it do to have the treasurer of the trust company make a return of that?

A. That is included in their return to the State.

Q. How much money do you presume there is in Scranton on deposit in trust companies and banks evidenced by certificates of deposit?

A. More than a million dollars.

Q. You don't get any of that?

A. No.

Q. What is your thought about the appointing or electing assessors?

A. I think it should be done by the County Commissioners. I think in the body of seven there should be three of one party and four of another party—a majority and minority representation.

Q. What is your thought?

A. I think we would get better results.

Q. You mean, for instance, the Democrats to assess the Republicans and the Republicans to assess the Democrats?

A. Yes.

Q. Wouldn't you get the same results if you sent them from different localities from which they resided?

A. Possibly.

Q. How about the compensation? Are they paid enough to get the best class of men available?

A. Now?

Q. Yes.

A. No.

Q. What do you pay?

A. Two fifty a day.

Q. How many days in the year are they employed?

A. There is no regular time.

Q. About how many?

A. I should say all over the county probably 100 days.

Q. Your thought is to have seven employed the year around at an annual salary?

A. Yes.

Q. You would get a better class of men?

A. Yes.

Q. Do you find much favoritism among these assessors?

A. Yes, all over the county. Here and there is an honest assessor. Two-thirds of them are dishonest.

Q. Have you ever done anything in the way of checking them up?

A. Yes.

Q. Ever have any prosecutions?

A. No, we never went that far.

F. W. FLEITZ, ESQ., called.

I cannot say anything to this Commission until I know what your purpose is and what you are investigating.

Mr. Moyer: We are revising the revenue and corporation laws where they may prove defective.

General Fleitz: In the first place, this entire question of taxation in the State of Pennsylvania is a very large one.

What should be done in Pennsylvania?

There should be a new, complete, Act passed, embodying the entire system of taxation, both for State and for local purposes; or two Acts passed, one for the State and one for local taxation.

As it is now, we have on the statute books the Act of eighty-seven, the Act of eighty-nine, the Act of ninety-one, the Act of ninety-three, also the Act of eighty-five; these are five Acts covering the corporation tax of the State. The unfortunate part of it is that there is included in the Act of eighty-five what is known as the personal property tax, which was originally a State tax and is still so-called, a State tax. My distinguished friend, Senator Blewitt, just alluded to the amount of money he was paying to the State. A great many talk about that tax as they would a State tax. It is not a State tax; it is a local tax. In other words, 75 per cent. of it is returned to the various counties from which it emanates. It passes through a lot of hands, and any considerable amount of money that passes through a great many hands is apt to stick more or less along the line. So this leaves the State only about 16 per cent. of the entire amount collected; then it has been demonstrated that about 80 per cent. escapes taxation under the laws, so the personal property tax should be eliminated as a State revenue altogether.

There should be a general Act passed designating the subjects for taxation. There should be a tax for State

purposes that would include all the subjects which the Legislature thinks should pay tribute to the State. There should be no direct tax levied by the State. Probably an indirect tax falls with less severity than any other tax we can levy. Of course, it should include the most notable illustrations of unfairness, such as in the case of the gas companies. The gas companies pay no tax. The electric light companies pay a tax on their capital stock and a gross receipt tax. There is no reason why a gas company should not pay a tax upon its property and assets. This has just been left out either unintentionally or designedly for a great many years.

In the new Revenue Act, which should be framed by this Commission, upon its recommendation the bonus subject should be entirely changed. The courts of this State, by a process of reasoning that I have never been fully able to understand, have held that a bonus is not a tax, although it is included in the provisions of a bill entitled "An Act to provide revenue by taxation," and it has gone through for the last twelve years, based on the old decision that a bonus is a price paid for a privilege. If a bonus is not a tax, what is it? It is levied and collected under the sovereign power of the State to derive revenue for its own expenses and to assist its people.

By Mr. Brown:

Q. The bonus is primarily supposed to be an evidence of good faith?

A. The bonus is a price paid for a privilege. In its inception, the idea of a bonus was a sum required to be paid by foreign people coming in, as contradistinguished from a tax levied upon our own people. They were called bonus laws. That ought to be included in the general scope of taxation.

Let me point out the inequality of the bonus laws. In 1901, the Legislature passed an Act. Prior to that time domestic corporations paid a bonus as of $\frac{1}{4}$ or $\frac{1}{3}$ of one per cent. In 1901 I assisted in drawing up a bonus tax

which would require foreign corporations to pay the same bonus that our own corporations paid. That Act was handled until its language was so ambiguous that the courts held that the bonus did not apply to any corporation which had come into the State prior to its passage. It went further in the case of the American Car and Foundry Company, and held that it would not apply to any increase of capital brought into the State by corporations in the State at the time of the passage of the Act. In the case of our own corporations, under the Act of eighty-seven, every increase they make of their capital stock they pay a bonus. Under the Act of ninety-one, these other corporations can bring into the State more than a million dollars and pay no tribute to the State.

Q. How are you going to get around that?

A. By passing an Act requiring a bonus on any additional capital brought into the State by foreign corporations now in or hereafter coming into the State.

The trouble with the whole taxation is this: The courts have held that the authority of the Legislature is supreme and is the expressed will of the people in regard to taxation; but that authority should be expressed in such clear language that there can be no mistake as to the intention of the Legislature. Every decision is in favor of the person upon whom the tax is levied. The courts have adopted the idea that they can do nothing except when they are expressly warranted by the letter of the law. So on with the whole subject of taxation the same way.

If such an Act were passed it would wipe the slates of all unconstitutional laws, eliminate all objectionable and inconsistent systems and reach all the subjects legitimately requiring a tax, and that might or might not include manufacturing corporations. Senator Blewitt has said it would fall with severity upon small corporations. It should be borne by the big corporations.

There is another point I wish to speak upon. That is this tax on coal. This is an old subject. During the

twenty-three years I have been connected with the Legislature that has come up time and time out of mind. We have tried to find some way of putting into force the creation of a fund to take care of the disabled miners and the widows and orphans of those killed in the mines. The distribution of money derived in this way, to the relief of the miners and their widows and orphans, would conflict with the provisions of the Constitution, which directs that pensions shall only be granted to those having been in the military service. If anyone can point out to me how this can be done without amending the present Constitution, I would like to have him put his finger on it. I have never been able to find it.

Q. Don't you think the moral obligation for such an appropriation would cause the money to be appropriated for the purposes indicated by Senator Blewitt?

A. We have tried to make that argument in the Legislature. We have tried to get them for twenty years to take into consideration the peculiar situation in these regions with reference to the liability of men being killed or injured in the mines. I think the Legislature has pretty fairly recognized that—recognized it in the erection of State Hospitals. There are three hospitals now in the anthracite regions for the express purpose of taking care of the miners, but they cannot do it all. There are also hospitals in the bituminous regions for the same purpose. I think the State has done wonderful work.

I think there should be some changes made in the corporation statutes of the State. I think also that the personal property tax should be given by the Legislature to the local authorities.

By Mr. Woodward:

Q. In other words, you would like to have the counties collect the four-fourths instead of three-fourths?

A. Yes. That system is best that leaves the levying and collection of the tax within the immediate vicinity of the

taxpayers. The home rule, if you please, in taxation is most equitable and just.

Q. Do you think the counties would get as much under the present system if left to themselves than if left to the supervision of the State?

A. Yes. In the first place the local assessor sends out these bulletins under the direction of the County Commissioners—these pink slips. The local assessor sends out his slips; some are filled out—in the majority of cases not. Then he makes such returns as he thinks are fair. The city authorities have no voice in levying the tax.

Q. What could be done that would serve the purpose more effectually?

A. Put that tax in the hands of the County Commissioners. Let them appoint the necessary assessors. There should be local assessors. These local assessors should be the men to assist in collecting the tax against land and the tax against personal property.

Q. You think they would take more interest if they knew they were to get it all?

A. Positively, yes. Ninety-five per cent. of the people of this county look upon that as a State tax which they pay directly to the State. There is less moral obligation. The people look upon a State tax just as they do upon a corporation tax, a good thing to evade if they get a chance. The whole idea is wrong, but it is true. If a fellow can beat the State out of a tax he will do it every time, but he looks upon his local tax in a different light. I will venture to say that in this county of Lackawanna, or in Philadelphia county, and, in fact, every county of the State, at least 60 per cent. of the personal property escapes taxation entirely.

Q. Suppose I say they collect two billions of personal tax. Wouldn't you say it reached a sufficiently large amount to justify the collection of it?

A. It should be collected in a different way. In the

first place, I don't believe over 40 per cent. of the personal property is taxed. These local assessors report from the County Commissioners to the County Treasurer, and the report is sent on to Harrisburg. There is no way of checking it up. The only way we have there is to take it and compare it with what it was last year. Then we take into consideration whether stocks and bonds were higher than last year. If the report is too low, we increase it and send it back to the County Commissioners. Now, I have in mind the case of a certain county in Pennsylvania where we had positive knowledge that certain private banks were not returning their mortgages and judgments. I heard at that time they had upwards of three millions, so we arbitrarily put three millions and a half of additional personal property tax on the returns of that county, and we went into court and sustained it. We arbitrarily placed it on them without an assessment being made. We just happened to know that fact. So, the whole subject of personal property taxation should be turned over to the counties—the assessment, levying and collecting; and should not be under State control at all.

Now, as to the taxes of corporations, whether too high or too low, that is a question that should be determined by the necessity for revenue. The revenues of the State have been increasing constantly. In 1889, when Governor Stone took office, the Treasury of the State was depleted and the appropriations made and due amounted to a considerable sum, more than the money then on hand in the State Treasury, and the State could not meet its current debts. The Treasurer issued two and a half millions of bonds, and since that time there has been no change in the revenue laws of the State—no beneficial changes, yet the revenues have increased. We have increased the appropriation to common schools from ten to fifteen millions; the appropriations to charitable institutions have crept up from one and a half to something like six millions; ten millions have been spent on good roads; thir-

teen millions have been spent on the new Capitol; two and a half millions of bonds paid for, and we have got in the Treasury upwards of eight or nine millions of dollars. I fail, for my part, to see any occasion for changes in the State revenue at all. I think there ought to be a new taxation law in order to equalize the taxation.

In 1890, I was secretary of that energetic commission known as the Grange Tax Commission of Pennsylvania, and we held our meetings as you gentlemen are holding them now. Different interests in Pennsylvania came forward and gave their testimony and they all had different ideas. After they had presented their points, it occurred to us that the whole thing was a fight of local taxation for local purposes of corporate property. The theory was that all property in the State, the corporate as well as the so-called common property, should be subject to taxation for local purposes. The question was thoroughly considered. There was some objection raised that if you tax a corporation generally for local purposes, that it would be unfair to tax them again for State purposes. We found, upon investigation, that the counties that would profit by that arrangement were the big, prosperous counties of the Commonwealth. Counties like Lackawanna and Philadelphia would have a large, juicy plum, and the revenue of the State would be diminished. I think we should be a little careful. It is a good suggestion that the real estate should bear a proportionate share of local taxation. In addition to that there must be, for State purposes, a State tax upon the property and assets.

By Mr. Brown:

Q. That would include real estate?

A. That is the theory. There is a great mistake in the minds of some lawyers that these corporations have a tax on capital stock. It is clear to the gentlemen of the Commission and you, and, in fact, anyone who has given this subject some thought, that the tax upon corporations is

levied upon the property and assets of the corporations, and we only take the capital stock as a fair standard of measurement of the value of the assets. The tax is levied on the property and assets. The capital stock is a thing that passes from hand to hand and we use that as a standard of measurement.

Now, about the subject of hospitals; I have known a great deal about that, particularly for the past few years. I am connected with three hospitals and have a general interest.

Every hospital in this valley is doing a good work, and every hospital has used and is using to the best advantage every dollar it is getting or had gotten from the State.

Some member of the Commission spoke about too many hospitals. There cannot be too many hospitals if well managed. But, in the main, the State of Pennsylvania should not put money into building hospitals at all except those under the State control. It should, however, be more liberal in appropriations for the maintenance of the indigent. The charitable people of this vicinity are burdened to death trying to take care of a very large number of absolutely necessary charities.

By Mr. Woodward:

Q. Have you any idea what proportion of the money necessary to run your institutions here is collected by subscription.

A. In the State hospital, very little. The State hospital, because it belongs to the State, is looked upon as a relief from local charity. I know that has been the case here. The people who go there, in the main, are poor, ignorant foreigners, without money, friends or relatives; therefore, local interest does not attach to them as it does to the local charities.

The Hahnemann Hospital collects about 65 to 70 per cent. of the money they use for maintenance. The reason for that is that the Hahnemann happens to

be located in this section of the city and is supported very largely by a wealthy class of people. They are interested in it and are doing a great work with it. The same thing is true of the Sanitarium up on the hill. These are two things that appeal to the charitable people of this city particularly. Now, the Taylor Hospital down in the mining section has a very hard time to raise money for the hospital, but they hold different affairs and struggle very bravely to raise money. It is only fair to say that they are doing all they can. But I wanted to suggest one thing. The appropriations to the various hospitals should be based on maintenance at a certain fixed rate per patient, and bear some relation to the number of free patients treated in the hospital during the preceding two years.

Mr. Woodward:

Q. Why shouldn't it be based on the charity patients alone?

A. I mean the charity patients. If the State would adopt a plan of paying 75 per cent. of the actual cost of the indigent treated in these hospitals, it would be a good thing. Have the superintendent of the hospital make a quarterly return as to how many free patients there were treated in his hospital; have the Auditor General approve these vouchers and pay them the pro rata. However, this would be the difficulty: A little hospital in an isolated location could not possibly, no matter how efficiently managed, take care of the patients at the same per capita as a large hospital. If you would fix a certain rate, as the State does with its indigent insane, to apply all over the State, it would be more or less of a hardship on certain small hospitals where the cost is greater.

By Senator Blewitt:

Q. What would you have the State pay annually for the indigent?

A. Seventy-five per cent. of the actual cost.

Q. Why not all?

A. For this reason: Just as soon as the State takes care of these, the charitable people will cease to have an interest in them. So far as the charitable work is concerned, it becomes a State institution and not a local institution. If the State would take care of the entire amount, I think it would take the incentive away from the charitable people to contribute toward the support of the institution. You know, in charitable work, the man who gives five dollars will have a keener interest than the fellow who gives nothing. He will watch that hospital, and will keep in touch with it.

Q. The State supplies a certain percentage of the total amount now?

A. That is true, but some institutions get 80 per cent. of their entire cost of maintenance; others get 25 to 30 per cent. The one getting 25 or 30 per cent. may be doing a great deal more charitable work in proportion to the number of people in its wards than the one getting 80 per cent.

Q. Is your idea to have a local board cover these institutions?

A. No, it would lessen the interest. The people back of the Hahnemann, for instance, are people who have a general interest in charitable work. They are people of considerable means and they have taken hold of the work and have made a great success of it. If you take it out of their control and put it on a common basis with the other hospitals in the county, it would lessen their interest.

Q. Talking of the Hahnemann Hospital, at the last session the House appropriated, I think, twenty-five thousand to be used for the building which is now there—plastering it and doing some other work. But the Governor vetoed it. What is your idea as to the State giving money to build hospitals in which they have no ownership?

A. My idea has been against that for the last twenty years.

Q. You would limit the appropriations to maintenance only?

A. I would do this. I would adopt this rule. I think there should be some notice, some time given these institutions. The State has adopted a course which has amounted to a custom, and to stop it suddenly would work a great injustice; if the State would adopt a hard and fast rule of this kind now, it would work a great injustice to this class of people; it would perhaps be fatal to them. I think there should be some notice given that the next Legislature, for instance, would try to take care of these things incurred, but afterward no other improvements would be paid for by the State, but that 75 or 80 per cent. of the cost of maintenance of the indigent would be given them.

Q. How would you bind the succeeding sessions of the Legislature to a proposition of that kind?

A. You couldn't bind them, but if there was a hard and fast rule to that effect, say after the next Legislature, it would then be comparatively easy for you gentlemen to say, "That is against the rule; it cannot be done."

Q. What advantage is it to the State to own these buildings?

A. None. Take the hospital at White Haven conducted by Dr. Flick. I was one of the earliest advocates for that appropriation to the "Free Hospital for Poor Consumptives." (That is the style and title of the institution.) The State paid one hundred and twenty-five thousand dollars, not for maintenance, but for building and making that spot a sanitarium and hospital. Finally there was a conflict between Dr. Flick and the politicians, and the result was that at the last session he refused to accept State aid and said, "We'll run this on a free basis. Here is one hundred and twenty-five thousand they put in our plant; it is true they paid us for maintenance—in all about four hundred thousand dollars. We will just appropriate this

plant with its one hundred and twenty-five thousand dollars of State money and run it ourselves and give out the statement that the politicians have been so objectionable to Dr. Flick that they crippled his work." Who is going to stop them?

By Mr. Woodward:

Q. The reason Dr. Flick gave me for withdrawing his application was that he was making application for three hundred thousand and two hundred thousand dollars of this was to go into a building, and the Committee on Charities refused to recommend that. They did, however, recommend the amount necessary for maintenance. He said he would decline any appropriation unless it gave him the full amount asked for.

By Mr. Fleitz:

A. I asked him to admit a man, and he wrote back that he would not violate his rules for any politician in the State. I think it would work out best on the equitable basis of distributing the appropriations for maintenance of the indigent after the next session of the Legislature when you should clean up the hospital question completely.

MR. C. L. S. TINGLEY, Secretary and Treasurer, Scranton Street Railway Company, called.

Mr. Chairman and Gentlemen of the Committee:—I have already written the Committee giving my views on this subject of taxation, but someone telephoned me that they would like to have me up here.

By Mr. Brown:

Q. The thought was that even though you had written the Committee at quite some length, the courtesy was due you to give you an opportunity to appear before us and present whatever views you might have to give. Your criticism appears principally to be on a different time of return?

A. Yes, that is owing to the numerous reports that are asked for by the State bodies. It practically demands the time of one or two men in a corporation such as ours to do nothing but make out State returns. Now, if all the reports could be based upon a uniform year it would facilitate matters very much, and, I think, it would answer the same purpose.

By Mr. Brown:

Q. What time would you suggest?

A. I would suggest either the calendar year or the Government fiscal year, which is June 30.

Q. What is your folks' thought on local taxation?

A. That it would be a good thing if a certain amount of taxation on corporations could be levied by local authorities.

Q. So you could divide the tax up between the State and the county?

A. Yes. It is the public impression that the local authorities get no benefit from the tax levied on corporations,

and the argument always is that we get all these valuable franchises and pay nothing for them. Now, if this arrangement could be made so the local authorities would get directly, instead of indirectly, some of the tax we are compelled to pay, I think it would be a good thing.

There was one subject brought up this morning by a gentleman speaking about hospitals, as to contributions from the corporations to support hospitals. I would say here, in speaking for our own corporation, that it is our practice to pay for every patient that we send to a hospital; so that our emergency cases are not charity cases.

By Mr. Brown:

Q. Do you know any reason why all corporations should not do that?

A. I don't.

Q. Do you think it would be an unusual burden upon them?

A. Of course, I cannot speak for the mining corporations, but for our corporation it would not be an unusual burden. In addition to paying for our cases, we give a small contribution to the hospitals.

By Mr. Woodward:

Q. Do you know what charge they make for the care of your accident cases?

A. I cannot answer that off hand; it depends largely upon the nature of the accident—how serious a character; whether an operation is required or not.

By Mr. Fleitz (addressing Mr. Tingley):

Q. Wouldn't it be better to have all corporation reports filed on the thirty-first of December, because the Government reports are now required to be filed on that date? I only mention that because at a recent conference of the State officials the question was taken up. Inasmuch as the Government has passed this corporation tax and requires them to make their reports on the thirty-first of December,

don't you think it would be better for the State to change theirs to that date?

A. I would answer that as far as the railway company is concerned the reports are too voluminous.

Q. Let me tell you that there is a movement to have these two reports co-extensive, being approved by the corporations themselves, from the standpoint that it is better to have the tax report made at the same time it is made to the Treasury Department for the simple reason that you can check it up. The fiscal year of the State begins the first Monday in January. The corporation reports are required on the first of November for the tax and the first of January for the bonds and evidence of indebtedness; and on June 30 for the Department of Internal Affairs.

A. I think it would be better for them all to be at one time. The calendar year would be very much better for the reason that these reports to the Secretary of Internal Affairs have to be made up in the summer time, which is the busiest season of the year for us; it is also vacation period. It would be very much easier for us and more convenient if we could make them up in the winter time, when business is more or less slack and the force is not on vacation.

By Mr. Fleitz (addressing the Commission):

One more suggestion—with reference to the State Board of Charities; something to take its place.

I am thoroughly of the opinion that the State Board of Charities is of small use to the Commonwealth. I don't say, of course, that this arises out of the inability of the men composing the Board.

By Mr. Woodward:

Q. Would you be in favor of a salaried Board that would give all of its time?

A. Yes, a Commission, with one man to be known as Superintendent of Charities, to be elected by the people or

appointed. I believe the entire charities of the State, such as the insane asylums, and the building of State buildings in various places should be put into a Department of Charities, the head to be appointed by the Governor or elected by the people, who will exercise and assume control of these matters, as the Auditor General does the tax gathering of the Commonwealth, with sufficient force of men, who would have the purchasing of supplies, letting contracts, with entire supervision and control of the money in the institution—that is, the money appropriated to the institution. Have some one big enough to have supervision and control of all this money that is appropriated in enormous amounts to these institutions. I think that certainly deserves the closest thought of your Commission. I think this Board of Charities should be wiped out. There should be traveling auditors and legislation requiring that each institution shall be visited regularly and a public accountant employed in order to keep perfect track of it in each institution.

By Mr. Brown:

Q. There are so many of them that it would require a good deal of time?

A. As it is now, what is the result? The Auditor General's office has to check them up with an insufficient force of men, and the result is they cannot give it the time.

Adjourned at one-thirty P. M.

Public Meeting, May 13, 1910, 11 A. M., 496 City Hall, Philadelphia, Pa.

Present: James P. McNichol, Esq., Chairman; Gabriel H. Moyer, Esq., Vice Chairman; James F. Woodward, Esq., and William H. Keyser, Esq., of the Committee; Francis Shunk Brown, Esq., Counsel.

The meeting was called to order by the Chairman.

MR. HARRY J. SHOEMAKER, representing the Pennsylvania Manufacturers' Association, called:

Mr. Shoemaker: Our speaker just this moment stepped out, and in his absence I would say that the gentleman who speaks for our association represents the Pennsylvania Manufacturers' Association, a concern consisting of upwards of seventy-five manufacturing interests in our State, and employing upward of 50,000 men, and it is constantly growing. Mr. Samuel Roberts, of Norristown, president of the Grater-Bodey Lumber Company, has been appointed one of the speakers representing our association this morning before your Committee, and Mr. Joseph S. Rambo, also of Norristown, the head of the Hosiery Manufacturers' Association of Pennsylvania, will ask to say a few words before you.

Our association appointed a committee of eight members to appear before you today, but the notice was so very short, unfortunately, and it was impossible for them to come. I have a telegram from our Erie representative saying that the Erie association was heard before you while you were at Erie, and they would only refer to the conference held at that place as to what their sentiments would be. They could only repeat what was said at that time, and could not possibly get away.

MR. SAMUEL ROBERTS, of the Manufacturers' Association, called.

Mr. Roberts: Mr. Chairman and Gentlemen of the Committee. At a meeting of the Manufacturers' Association, of which I am a member, last night there were two of us delegated to come before you and present our side of the case as we see it. I do not suppose you want very much time taken up, and I do not propose to take up very much of your time. I am not a talker. I am just a plain, ordinary business man, more given to work than to talk.

We feel, all of us, and we represent an association there that comprises practically all of the manufacturing interests in Montgomery county and vicinity, that at this time in our history is one of the worst times to talk about putting any additional tax upon the manufacturing interests. You know as well as we do that we have the National tax to contend with, which has not been decided one way or the other, whether we have to pay it or not. We have had an additional burden put upon us by reason of the employers' liability legislation, which makes each manufacturer carry a heavy liability policy, or practically be at the mercy of every accident that may happen. We feel that now, above all times, would be the worst time possible to put any additional tax upon corporations or manufacturing industries.

It seems to be the favorite howl and talk of the public today: "Soak the corporations." I say to you that 90 per cent. of the corporations in the association of which I am a member have formed corporations, not for any benefit that might be received from legislation, but simply for the benefit of maintaining and continuing their business, so that if any one partner died his business might be carried on, and that has been practically the only

reason why 70 to 80 per cent. of the manufacturers have incorporated. We do not receive any more benefit than a partnership does—really less. We are taxed and they are exempt under the National tax, and we feel that a tax at this time would be a very unjust and burdensome load to put upon us. We have practically made the country what it is today. The manufacturing industries of Pennsylvania are the backbone and have caused the growth and the stand that Pennsylvania has in the country today, and I believe that if you unjustly tax the corporations—I believe first that they are taxed practically all they can stand or bear—and if you put any more tax on them you will not only keep prospective manufacturing industries from coming here, but eventually may drive some of the present ones that are here out of the State. That is a surmise, of course.

By Mr. McNichol:

Q. What would you suggest in lieu of a tax on manufacturers?

A. As to increase of revenue, do you mean?

Q. As to ways and means to secure more revenue.

A. Well, the suggestion that you have brought forth yourself is a suggestion that one of our members brought up in our association, and I think it is a very good one, to tax the man that runs the automobile. We all have automobiles; every one in our association last night has a machine, and every man in it would be perfectly satisfied to pay a fair tax, if the money went to the maintenance of the roads.

Q. That is only getting at the small end of the capabilities of the big fellow, who is able to pay more in another direction. He takes the surplus out of his earnings from his manufacturing industries and buys an automobile.

A. How can you get at the large man without hitting the small man?

Q. We have let the small man pay about 95 or 98 per cent. We want to get at the big fellow who is running off to Europe every year and spending enormous amounts in Europe and Paris, and see if we can't get some of it back here.

A. Mr. Chairman, if you can get at any law that will tax the man who is perfectly able to pay it and making undue profits in some cases, then it would be just. But you cannot get at the big fellows without hurting the little ones. Maybe you will get at two or three who have a lot by singeing and hurting the little fellows.

By Mr. Brown:

Q. Assuming that we have sufficient revenue as it is, how do you discriminate between the corporation not a manufacturer, and the corporation that is a manufacturer? Why should a manufacturing corporation be exempt and the other taxed? For instance, each employing the same number of men and located, for instance, one across the street from the other?

A. I do not exempt them. You mean the corporation——

Q. We all know manufacturing companies pay every tax except a tax on capital stock; they do not pay as dealers; they are exempt from license tax and on capital stock. Why should the manufacturing corporation be exempt from these two taxes, when the other corporation directly across the street, employing the same number of men and having the same amount of capital invested in its plant, is not exempt?

A. I do not just grasp the idea that you are getting at. Do you mean the difference between a partnership and a corporation?

Q. No, not at all. I am discriminating between a corporation other than a manufacturing corporation, and a manufacturing corporation. All other corporations pay a tax on their capital stock; manufacturing corporations do not. Why should they not, the same as the others?

A. Both employ the same number of men and produce the same results.

Q. What do you mean by "produce the same results"? Of course, they do not produce the same result. One may manufacture the stock and the other sell it.

A. Any corporation employing the same amount of capital and the same number of men ought to be on the same level.

Q. And you would make no difference between them?

A. No, sir.

Q. Suppose there is a corporation across the street from Lit Brothers, a manufacturing corporation. Your opinion is that the manufacturing corporation should be taxed the same as the other?

A. No, because the manufacturing concern is producing, and the other concern is simply a seller of some one else's production made all over the country and brought in here.

Q. For instance, the seller doesn't receive one-half of the net income from the business he does, as compared with the manufacturer; you still think the manufacturer should be exempt?

A. I certainly do.

Q. In other words, one man gets 10 per cent. as a result of his labor and investment and enterprise and pays a tax on that, you think that the manufacturer who gets the same as a result of his enterprise and thrift should not pay anything.

A. That manufacturing concern across the street from Lits is making it possible for Philadelphians to go there and buy stuff from Lits, and because he is giving employment to hundreds of men. If there is any one concern in the country that ought to be taken care of and not loaded up with taxes, it is the manufacturing industries of this State, because they have made the State and are making it today.

By Mr. McNichol:

Q. Hasn't the State made the manufacturer?

A. I don't think so.

Q. You don't want us to believe you people are responsible? Don't you think the State Government has taken care of them for the last twenty-five years?

A. I think they have, but I think the manufacturers have taken care of the State more than the State has taken care of them. The manufacturing industries of the country have made the government of the State possible.

Q. Very few manufacturers of the State have gone to the wall by reason of not getting compensation for their work?

A. Possibly, not in the last ten years.

Q. Less than any other State in the Union?

A. Yes. I don't think the manufacturers have any reason to complain about legislation in the past. They are not taking that view of it here. They are simply trying to take care of their interests in the future.

Q. In other words, they have got a good thing and don't want it disturbed?

A. In some cases they have. I will be frank and say to you it is possible, but I don't believe if you take the manufacturing industries right straight through, 75 or 80 per cent. of them have just got a bare living out of their industries, and the other 20 per cent. may be making enormous profits. If you could get at the man who was making abnormal profits without hurting the other fellow, it would be a good thing to do.

Q. That is what we are depending on you gentlemen to furnish the information and show us how to do it.

By Mr. Brown:

Q. Mr. Brown, representing the Manufacturers' Association, appeared before us and said if the State was not collecting sufficient revenues at present, he thought the

manufacturing interests of the State would be willing to be subjected to a tax of one mill. He said he had conferred with the interests represented there, and he thought they would be entirely satisfied, and on the basis of three billions of stock it would bring a revenue of three millions to the Commonwealth. Have your folks given that any thought?

A. Yes.

Q. I am not assuming that there is any necessity for additional revenues, but assuming that there is, what would be your thought?

A. That very question was talked over, because we had heard rumors about there being a one mill tax put on, and it was discussed among us, and we are all adverse to it. We do not want any more tax. It is natural and we are looking at it from our view of the case. We do not want any more tax, and we feel we are justified in asking you not to put any more tax on us. We feel there is no just reason why you should do it. There is a law in Montgomery county to increase the valuation of property; every manufacturing concern in our county has had his property pushed up from 20 to 25 per cent. local tax. We have got that to contend with and the National tax, and the most expensive tax of all, we have got to contend with and maintain, I believe, it is the liability insurance we have to carry in order to protect ourselves. It is not only one, but it is the culmination of all these taxes that make us come here and protest.

By Mr. McNichol:

Q. You mean the liability law as represented by the State or National law?

A. The State and the National, both.

Q. Where do you get any hardship from that?

A. It means we have got to carry the insurance to protect ourselves.

Q. You naturally would carry the insurance anyway?

A. We did not, a great many of us, until about five years ago.

Q. And then, in the last five or six years the protection to labor has increased for the benefit of the working man, and rightfully so.

A. I grant you that, but it is a tax nevertheless. I do not object to that liability law.

Q. It is only a tax in case you are going on and paying it, but suppose something happened in the meantime and you didn't have that insurance, then your tax would be much greater, wouldn't it?

A. In former years the laws were not as severe on the liability as they are today, and consequently there wasn't as much chance for a man to recover.

Q. We are trying to do for the little taxpayer what we have done for the working man and broaden the scope of our protection.

A. We are not here to protest against the liability law, because we believe in it.

Q. I believe it is one of the best pieces of legislation that has ever been passed.

By Mr. Brown:

Q. How do you distinguish between the manufacturer and the middle man? Is the middle man today in this State in any better condition to pay tax than the manufacturer is?

A. I couldn't answer that question.

Q. Have you folks made no investigation along that line?

A. I don't think we have. I couldn't answer that intelligently.

Q. Of course, the middle man does pay a mercantile tax?

A. Yes. We pay ourselves part of the mercantile tax, but I couldn't answer that question at all, because I am not posted on that.

Q. Have you ever given any thought as to other taxables, assuming that there is not sufficient revenue for the proper needs of the Commonwealth?

A. Well, isn't there sufficient?

Q. I am assuming now that there is not. Have you ever talked among yourselves as to the right or propriety of the State appropriating to State institutions not under her control?

A. Yes. I did not catch your idea. That was discussed also last night.

Q. What is the consensus of opinion?

A. Against that.

Q. Why.

A. Because there is a great many of these concerns you are carrying on and building up and up, and they may take that thing over sometimes after while and run it for their own interests. There is nothing to stop them.

Q. You think the State isn't getting a proper return?

A. The State should have some ownership in every building they appropriate money to.

Q. How far has that been discussed in your association?

A. Not very far. We just took that up on the side last night. That was one of the chief objections, and there was about ten or fifteen minutes discussion on that very question, and White Haven was one of the institutions mentioned very prominently in the talk as being an institution that had been well taken care of by the State.

Q. Has there been any discussion among you as to other directions in which in your opinion money could be saved?

A. I suppose you mean——

Q. Without imposing any tax upon you, or which you would not think it proper or fair should come out of your pockets? Have you given any thought to that?

A. Well, no, I don't think we have. It was the appropriations to State institutions that we talked of more than anything else.

MR. JOSEPH S RAMBO, representing the Montgomery County and State Manufacturers' Associations, called.

Mr. Rambo: I represent the Montgomery County Manufacturers' Association, the same as Mr. Roberts, and incidentally the State Manufacturers' Association. I am sorry our president, Mr Grundy, is not here today. I think he could represent the State affairs much better than myself.

The question was asked a while ago of Mr. Roberts of the difference between the merchant corporation and the manufacturing corporation. Well, the manufacturing corporation is a benefactor. It brings money from a distance into the town, and the merchant corporation takes it out. He absorbs it and puts it in bank and puts it in circulation outside of town. That is the principal difference between the two I see. Besides that, if a manufacturer's business goes bad, his plant depreciates; his money is all tied up in machinery, and his plant depreciates from 50 to 75 per cent. pretty near at once. If a merchant goes bad, his stock is all good merchandise usually, except possibly a little old stock, and you can generally get about one hundred cents on the dollar.

By Mr. Brown:

Q. You think there is a greater risk in manufacturing?

A. Considerably greater. Besides that, I think the profits are very much less.

Q. The questions I have asked have been indicated, a great many of them, from letters received by the Committee. For instance, a number of corporations have written to this Committee that they thought there was an unfair discrimination in taxing them and exempting the manufacturer. That is the reason I am asking the manufacturers why they should be exempt?

A. I heard you ask the question and thought I would answer it. There are very few of us manufacturers who are making big money. There is a few, of course, who do make big money, and you would be taxing 90 per cent., or maybe 95 per cent. that have a struggle to get along in order to get the other 10 per cent., and it would be unfair. Besides every community is hunting for manufacturers. Why? Because they are benefactors to any community.

Q. Have your folks made any comparison between the relative results of other interests and yours?

A. No, we did not go into that particularly.

Q. Because from the letters we have received it would seem that the manufacturer was probably considered the most prosperous in the community?

A. We do not have to go far to change your views on that. There are very few manufacturers become very wealthy, and I dare say 25 per cent., or maybe a greater per cent., fail entirely before they die. We can look all around us here and see merchants springing up like mushrooms, millionaires. You do not see manufacturers doing that. There are very few of them ever become millionaires.

By Mr. McNichol:

Q. Will you give us a list of the manufacturers in the last ten or fifteen years, a sort of a synopsis of their financial condition?

A. The manufacturers who have failed?

Q. Yes, those who have been prosperous and those who have passed out by reason of failure?

A. I don't know as I want to point out all those who have been prosperous. There is very few, it seems to me. I can point out failures in my own town there. There is only two left of wool manufacturers in my own town, out of about twelve or fifteen which started there since I did in the last twenty or twenty-five years.

By Mr. Brown:

Q. To what do you attribute that? They have had this exemption you have had, and the same facilities you have had; why is that?

A. Yes. Well, it is hard for me to attribute it——

Q. They have not left Pennsylvania because they have been too heavily taxed?

A. No, they haven't. They haven't gotten any results, either because of management, or something or other. Most of them seemed to be business people, but there wasn't enough in the business for them to get along on. As I said, only about 10 per cent. of the manufacturers do make much money; a few of them get wealthy and the rest of them seem to hang on.

Q. How about the middle-man to whom the manufacturer sells and who handles his goods; is he in a better condition?

A. The jobber?

Q. Call him the jobber?

A. He doesn't have his money tied up in machinery and plant like that. Of course, he has a big building sometimes in the center of a city, which usually improves, but his merchandise he buys and sells and it doesn't depreciate like machinery in a manufacturing plant. He gets fair returns. Perhaps he has lots of competition. I don't think the jobber or the middle-man has as good a time of it as the retailer. Just taking it from a general viewpoint, the retailer seems to be more prosperous right along.

Q. Have those with whom you associate given any thought as to what taxables should be added to the present list, assuming there is not sufficient revenue?

A. We did not take anything up except automobiles. I proposed that some time ago. Mr. Wilson Brown, of the Manufacturers' Club, spoke of it at the last meeting here, I think, some time in April. I was sick at the time. I

think we should make the license on automobiles about a dollar per horse power. It is a luxury and everybody that runs an automobile has such large expenses otherwise that they wouldn't feel that.

Q. I presume for additional revenue that would be a very small drop in a very large bucket?

A. It has been estimated it would raise a million dollars or more. That would go a good way towards good roads. It ought to go to the Road Department, I think.

Q. One of the principal demands has been from the State Grange people, who think larger sums should be given for school purposes?

A. Farmers are more prosperous than the manufacturers. The farmers are not taxed much, and they are more prosperous to-day than the manufacturers. They are not as large producers. The manufacturers are producing more to-day than the farmers in dollars and cents.

Q. The farmers will show you they are assessed out of proportion, and produce statistics to show that the farmer pays a higher rate than any other interest. They gave us those figures, and I would be pleased to give you a copy of it.

A. They are the most prosperous of any class of people to-day, I think. Now, you asked a while ago about the class of manufacturers who might be taxed. I would not want to suggest that there is particularly, but the only manufacturer who is sure of making any amount of money is one who is manufacturing a patented article, or something of that kind, and has a monopoly, and there isn't so many of those, I don't suppose.

Q. They work under patents?

A. Yes.

Q. They have exclusive rights, those people?

A. Yes. They can get their profits, where those who have plenty of competition can't get them.

By Mr. Moyer :

Q. What do you think the State's attitude should be towards its private charities in this Commonwealth, with reference to continuing appropriations?

A. Well, as Mr. Roberts stated, we talked over that matter last night, and we were all of one opinion, that the State should not, when they didn't have the money to spare, appropriate money to charitable institutions in which they did not have some control or some ownership. If they had plenty of funds, it would be a different thing.

Q. You think, therefore, the title to the property should be vested in the Commonwealth?

A. If they want money from the Commonwealth. At least they ought to have credit to the extent of the amount they appropriate.

Q. That seemed to be the opinion of the gentlemen who were assembled together last evening; is that your thought?

A. Yes.

By Mr. Brown :

Q. As a matter of information, the average rate of tax on real estate in Pennsylvania is estimated to be eighteen mills, and the average rate of tax on personal property is three and a quarter mills. That is, six times as much?

A. There are lots of corporations besides the manufacturing corporations that are not as good to the State as others. Every community is after manufacturers. They give them inducements to come there, and after they get them there then if they are successful the community is successful. I think as the State has made these inducements, which I think other States do to get manufacturers, they ought to encourage them instead of trying to discourage them.

Q. The thought is this, that they, having been exempted since 1885, are in a position to-day to help the State;

that is the consensus of opinion of those who have written us?

A. There might be a few, a small percentage, that are in shape to be taxed, but I do not see how you can discriminate. Besides that, all these are propositions to tax manufacturers or manufacturing corporations. They leave out the individual and the partnerships, who are just as able and just as good competitors as we are. They make just as much money as the corporations, and perhaps more, and not only that, but in taxing the corporations you tax a lot of small stockholders, and in leaving out the partnerships or individuals who are competitors they have the whole concern themselves, and they are left exempt in this National Tax Bill, and it has been talked the same way in proposed bills in the State. It is a discrimination against the fellow who incorporates his business; sometimes they incorporate as a matter of necessity; they don't have money enough, and the manufacturer gets several people together with small means. There is no reason why they should be taxed, and the other fellow who has plenty of money to run his business will be exempt.

Q. You would distinguish between competitive businesses?

A. Yes. You dare not discriminate against them. It is unfair and unjust.

Q. I mean between them, and not against them.

By Mr. Woodward:

Q. You said you believe the charitable institutions who receive State aid should not receive it unless the State held title to the property?

A. Well, held title to it to the extent to which they receive State aid.

Q. Do you think that would be a good thing for the State to take title and continue to support these institutions?

A. Well, I haven't looked into that. You can answer that question. I think this is a matter for the State to look into.

By Mr. Brown:

Q. Why can't your Pennsylvania Manufacturers' Association look at this subject from all viewpoints and give us the benefit of their judgment, not from the interest of the manufacturer or the middle-man or from any other person with selfish interests, but from the interest of what is best for all people of the Commonwealth? Why should not all these interests do that?

A. Well, you naturally think we come here in behalf of our own interests, but at our meeting last night and the way I have felt right straight along has been in the general interest of the Commonwealth. I am sincere in what I say. I am not looking at the matter in a selfish way entirely.

Q. Your thought is that no matter what money may be needed, that under no circumstances should manufacturers be taxed; I mean the capital stock?

A. Yes, I think it would be a great mistake to tax the manufacturers, because, as I said before, they are great benefactors to any community, and you want to encourage them rather than discourage them.

By Mr. McNichol:

Q. On that score you don't want us to believe the manufacturing corporation is invited into a community for the benefit which is going to accrue to that community, do you?

A. I certainly do.

Q. Isn't it a fact that men who embrace that particular line of business with their capital, do so for the profits that are in it?

A. I admit that.

Q. Isn't that true in every business?

A. Yes, the men who embrace that business now are not going in it for fun, of course.

Q. You don't want us to believe a man puts a million and a half in a manufacturing plant for the purpose of the benefits largely that are going to accrue to the inhabitants of Philadelphia or any other community?

A. I don't say that.

Q. You are talking about what benefits accrue to the particular community?

A. The man who goes in a business goes in it for his own gain always, but when he does that he benefits the community and the community needs him as much as he needs the community.

Q. And the community recognizes that and deals with him accordingly?

A. They are bidding for them all the time. We hear of them doing it.

Q. They are remote spots and the conditions are not favorable, but you take a city like Philadelphia, those men are seeking Philadelphia, and not Philadelphia seeking them. I know if I had \$500,000 to invest in a manufacturing business, we would get the most desirable spot productive of the most beneficial results.

A. How would you get that desirable spot?

Q. By having competent men to locate us in a spot that would have all the facilities that would be necessary to properly conduct that business.

A. Isn't it a fact that if you had a hundred thousand dollars to put into a large manufacturing plant, and you let it be known, that different sections of Philadelphia would be after you to get it?

Q. Yes, but I would locate in that section wherein I would be told by a man who would be competent to tell me, where I could produce my goods for the least cost and sell it for the largest profits. The manufacturer does not go to the community unless he finds favorable conditions?

A. Certainly, he is looking out for his own interest, too. I am making the point that the communities are seeking

manufacturers, and why? Because they are benefactors; they bring money to the communities.

Q. Those communities are seeking them because they have no other facility by which they can develop the growth of their community, but the manufacturer seeks the community that has got desirable conditions.

A. When you come to a city like Philadelphia it is quite different from towns like Norristown or towns a great deal larger all through the State.

Q. I agree with you.

A. I will give you an instance right in my own town, and I dare say there are hundreds of towns in the State doing the same thing. We have been asked to bid for different manufactories there, I suppose a half dozen times at least within the last year, and we have always made an effort to get them, because we think they are benefactors. Not only the business men are seeking them, but the manufacturers themselves, for the benefit of the town and the community. That is the general thing everywhere.

By Mr. Brown:

Q. That would not be governed by any State tax; that would be governed by the local tax?

A. That is not considering any tax at all. That is showing manufacturers are benefactors to any community and every community wants them. What I want to say along that line is that we should not discourage them by trying to tax them and drive them out of the State. There are not such big profits in manufacturing as some people try to make the public believe there are.

By Mr. Moyer:

Q. The State's resources would have something to do with locating the plant?

A. The State's resources?

Q. Yes, the natural resources of the Commonwealth?

A. Sometimes in certain things, if a man is using any large amount of fuel he would want to get near a coal mine, providing he couldn't get a freight rate as cheap as he could up near the mine.

Q. Take the large steel corporations in the Western part of the State, the statement was made at Pittsburgh that they would likely locate in the State of West Virginia or some other nearby State if they were taxed, because of the accessibility of fuel.

A. Fuel and waterways and things like that, where they have lots of freight like a steel plant, but there are different States have those facilities.

Q. Would you rather have your manufacturing plant, for instance, in Norristown, than you would in Arizona or New Mexico?

A. I haven't given that any consideration, but we naturally think so.

Q. You get better returns?

A. Yes, but there are plenty of towns in Pennsylvania besides Norristown.

Q. I mean anywhere in Pennsylvania?

A. Yes.

By Mr. Brown:

Q. Norristown is all right, from your point of view?

A. Yes, I like Norristown. I have no objection to it.

Mr. Shoemaker: There is one other gentleman on this Committee who would like to ask for your consideration. You have been exceedingly kind.

MR. ROBERT A. GARWAITE, Treasurer of the J. Ellwood Lee Manufacturing Company, of Conshohocken, called.

Mr. Gartwaite: I would just like to supplement Mr. Rambo's remarks in regard to manufacturing concerns leaving the State and going into other towns and boroughs. I have an instance in our own concern. We have just had an offer to go to New Brunswick, New Jersey, and to go to Illinois and be given ground free if we would bring our plant there, and although there are only about five or six thousand people in Conshohocken, the Borough Council got together and requested us to remain in Conshohocken. We employ about five hundred people, and it would undoubtedly be a great loss to the town if we were to leave. While you say that the people do not seek the manufacturers, I think we can take exceptions to that, in that these people have kept right after us to stay in Conshohocken, and the only reason we stay there is simply because it is the home of the company, and we do not get any better facilities than we would if we were over in New Brunswick, New Jersey. Of course, you say a place like Philadelphia might be more attractive, but in a large majority of cases you will find the manufacturer can go to any place—he doesn't have to be in a large city if he is on a good railroad and can get a good siding and reasonable freight rates; it doesn't matter whether there are twenty thousand or a hundred thousand people in the town he is located in, because the manufacturer produces and he has to ship his products any way and is not dependent upon the surrounding people and the city in which he is located for his support.

By Mr. McNichol:

Q. How about his help? Do you mean to say you could

retain your help as easily in a town of five thousand inhabitants as you could in a town of a hundred thousand?

A. I mean to say you can go to a town of five thousand people with such a plant as ours and get plenty of help.

Q. And retain them?

A. Yes. We have no unions out there and everything goes along very smoothly, and, in fact, people are coming all the time from other places wanting to locate there. Also, I think that a great many Senators and the people at Harrisburg are under the impression that manufacturers are, as you say, bloated bond-holders. I think you will find, as Mr. Rambo said, that 75 to 80 per cent. are just struggling along for an honest profit. Take our big corporations, such as the Steel crowd and the Standard Oil bunch, you will find they are men who have made money out of the manufacturing, probably, but the rest of the people have made their money in banking and have worked until they have become very wealthy. The story of the manufacturers going to Europe and Paris and spending money made in this country, I think is greatly exaggerated.

By Mr. Nichol:

Q. What would you term Carnegie—a bloated bondholder or banker? What category would you put him in?

A. He is a millionaire.

Q. And Rockefeller?

A. He is a millionaire.

Q. What do you find the people taking passage to Europe, such as Garey.

A. The Steel crowd, I admit, and the Standard Oil crowd are the millionaires who have been manufacturers, but the majority of the rest of them have made their money out of railroads and stocks and bonds, such as the Vanderbilts and the Goulds and Astors.

Q. I think you should furnish a list of statistics as to the standing of the manufacturers?

A. I say the people in general throughout the State think the manufacturers are making immense profits, where in reality they are only making a legitimate honest profit, 75 per cent. of them.

Q. We do not believe that. You are only quoting some of the Democratic newspapers here in the city. We would like for you to give us the facts to disabuse the minds of the people?

A. You must admit a great many people in the country have made their money——

Q. I have been trying to figure out and discover how they did make it. I haven't been able to make it out how they did do it.

A. If you make a tax that would take in all that crowd you will be doing something.

Q. We are after them.

By Mr. Brown:

Q. How do you distinguish in the illustration I gave to Mr. Roberts, between taxing a man on one corner, having the same amount of capital invested, and not taxing the manufacturer across the street?

A. I think if you place the manufacturer on one corner and a merchant on the other corner——

Q. I am assuming each gets the same result, the net earnings at the end of the year and the net result, charging off everything you would ordinarily charge off to profit and loss in the manufacturing and mercantile business, and each man has made exactly the same from his business. Why would you tax one and not the other?

A. Because the merchant was probably benefiting from more than the one concern across the street.

Q. The net result is the same?

A. What I mean is that he is selling more than that one company's product, and therefore he is benefiting from more than one manufacturing concern, and if the manu-

facturer closes down probably that concern would go on, because it takes many more people to manufacture goods than it does to sell it.

Q. You don't think a man should pay tax according to his ability to do so?

A. I think the manufacturers of this State are taxed enough, and I think with this new National Government tax going into effect it is going to be very hard. I know it is going to be hard in our case, and we sell to State institutions such as hospitals.

Q. We have had one manufacturer here who said it didn't make much difference; he would simply add it on to the price of his product, and it didn't make any difference to him.

A. But if you place a manufacturer on one corner and a merchant on the other, both employing the same number of help, and both making the same percentage of profit, you will find that the merchant is making his profit out of more than one concern; therefore he is benefiting probably from four to five manufacturers throughout the United States.

Q. What is the net result to the Commonwealth?

A. Well, of course, if they both pay taxes, the Commonwealth would get it from both sources, but it would be harder on the manufacturer.

Q. I mean outside of the tax. What is the difference in the general net result to the Commonwealth outside of the question that one pays and the other does not pay; how is the Commonwealth benefited? Isn't the man on the corner with the store——

A. Don't you think there should be some distinction between a manufacturing man who is producing and the merchant who is selling the product?

Q. That is what I am trying to find out from you?

A. I certainly do. I think the man that is producing and is really keeping the town together should be given

more credit and should be exempt from certain taxes, than the man who is simply a merchant and buys and sells goods from probably five or six different concerns throughout other different States. The merchant could go out of business, but it wouldn't hurt the town. If the manufacturer went out of business it would hurt the town materially.

By Mr. McNichol:

Q. Very few manufacturers who went out of business had a profitable investment. In your recollection can you give us any idea of the number of manufacturers who went out of business and who had a profitable investment?

A. He would be foolish if he did.

Q. Consequently his business would become a sort of burden upon him and fail to produce proper revenue, and that would be the cause of putting him out of business?

A. He would go out of business if he didn't make a profit.

Q. If he is not making good returns for the amount of money invested, very few of them neglect to change their location.

A. I don't quite agree with you there. As I said, the community, from the fact that it is a community, does not benefit the manufacturer to any great extent, because his product is sold probably hundreds of miles from where he is located.

Q. The cost of production is largely taken into consideration in locating a plant, isn't it?

A. You can go to any town, and if you are in a town of 5,000 for instance, where we are, we could go over to New Brunswick and get the same labor facilities we have now.

By Mr. Brown:

Q. But you have to pay a tax there, just the same as you are now?

A. Yes. This National tax which is going into effect doesn't affect partnership concerns. It will affect us to a great extent, and if, as you say, you can pass some law which will take in concerns such as the Standard Oil and the United States Steel Trust, you will be doing something, but the poor people who are only making ten or twelve thousand dollars a year are going to be taxed, so it runs up, you know.

By Mr. Woodward:

Q. Do you think the State ought to continue the policy of appropriating money to private charities?

A. I think they should when they retain an interest in the property, but there are a great many people that are living off the State who are connected with these private charities, no doubt. But I think if you discontinue your appropriations to the State organizations I think we, for one, would go out of business, because our business is largely selling to the State hospitals, and they are the only hospitals that pay.

By Mr. Brown:

Q. That is the trouble. Take this proposition and you go on and talk about it, and you get right back where you started from. You try to leave out the links in the chain and when you leave out one the thing falls apart.

A. If you retain an interest in every public charity to which you appropriate money, of course you are not losing anything.

By Mr. McNichol:

Q. Would it be necessary for our State hospitals to purchase the articles that you supply from you people alone? Are there no other persons in the business that would be able to furnish them?

A. Yes.

Q. That is a sort of an inducement why you don't leave Pennsylvania?

A. I should say no. They buy even now too much from out of the State.

Q. You are trying to show Pennsylvania why they should buy more of you?

A. No. That argument we used about ten years ago to no effect.

By Mr. Woodward:

Q. If we would continue to appropriate these moneys, your concern then would not object to paying one mill tax?

A. The money we would get from the State hospitals, the interest on it, probably wouldn't pay the one mill tax.

Q. You probably would charge the State one mill extra?

A. Because the hospital goods we sell them is sold at very nearly cost in the first place, and in the second place it goes to pay a few salaries.

By Mr. Brown:

Q. Let me ask you on that line: You sell to a number of hospitals?

A. We sell the State hospitals.

Q. Do you sell a number of them?

A. We sell quite a few throughout all the States.

Q. I understand that they buy the goods at a very slight profit to you?

A. A very slight profit; they get the best wholesale prices.

By Mr. McNichol:

Q. You also sell to private institutions?

A. Yes, and we sell to dealers.

Q. And I understand the State gets the best price——

A. The best price obtainable.

Q. Not only here, but other States?

A. If the State buys \$20 worth of cotton a year,

they get the same piece of cotton as the man who buys \$10,000 worth. That is a fact.

Mr. Rambo: I just want to answer a question in regard to the eighteen mills and the three and a quarter mills. Mr. Brown asked me about the difference, and in looking over it it looks to me as though we pay the eighteen and the three and a quarter.

Mr. Brown: Providing you pay on the real estate and at the same time pay the other.

Mr. Rambo: We pay on the real estate. The question has been asked several times about manufacturers going out of business, and so on, and to name some. I did not name any particular ones, but I know there must be eight or ten, as I said, in my own line, right in my own town, that have gone out of business.

Mr. Brown: That is a case of drying up, as it were.

Mr. Rambo: I can name three iron masters who died poor in my own town.

By Mr. McNichol:

Q. What was their age when they died; how old were they when they died?

A. That doesn't make any difference. I don't know anything about that.

Q. Oh, yes, it does.

Mr. Brown: We have the representative of the Philadelphia Real Estate Brokers' Association here, Mr. D. E. Dallam.

Mr. Dallam: I only received notice of the meeting yesterday, so I am not prepared. I am a very poor speaker and may make a rambling speech.

Mr. Brown: You gentlemen may not have had but a few minutes' notice, but you have been thinking over the subject for months.

Mr. McNichol: What is Mr. Dallam going to talk about?

Mr. Brown: Mr. Dallam is going to talk on the subject of adding to the list of taxables.

Mr. McNichol: For the purpose of reducing the burden on real estate?

Mr. Brown: Yes, along the line of contribution to the general revenue.

Mr. Dallam: We are all selfish, and therefore we speak to selfish interests. First, as I said before, we are entirely interested in city tax. The position is this: The City of Philadelphia must have an additional income, and under the present law, as I said before, practically all the city has is a right to tax real estate. Now, we want, therefore, the taxing powers of the city enlarged or some of the taxes collected in the County of Philadelphia to be diverted to city purposes. Of course, people say to me: "You have a very low tax in Philadelphia." Yes, I grant you. The City of Philadelphia collects less money really than any other large cities in comparison, without throwing any bouquets, but what we ask is an equitable apportionment of the taxes.

Now, the tax per capita, for instance, if there is a hundred dollars to be raised and there are one hundred peo-

ple to pay it, that is ten dollars a head, but where out of the hundred people you make ten pay it, we do object. That is the way it is. Now, of the accumulated capital of the City of Philadelphia only one-tenth of it is in real estate, and yet that one-tenth practically pays all our city tax. Of course, the other nine-tenths part of it pay the State tax. We want that diverted.

Now, at the present time I say without contradiction, and I have been at it for forty years, that we are paying more to-day out of our net return from our real estate for taxes than ever before. We are paying—at least 25 per cent. of our net revenue goes to the city tax, and in New York, which collects over 125 millions, the highest rate I can find on Broadway is 18 per cent. Therefore, we say that this has practically stopped the purchase of real estate in Philadelphia for investment. Parties are buying now for some special purposes, either for homes or some factory sites or to increase a man's business, or speculators, with the hope of unloading on somebody else. We claim personal property ought to bear its particular share of tax, and if any increase is made we think it should be put upon something else besides real estate. If there is any increase to be made, we want it put upon somebody else. Mr. Brown asked me particularly about a mercantile tax. Now, we have here what we call practically a license. We have three of them, we have the liquor license, brokers' license and mercantile license. We ought to have here all that combined. I am suggesting these other ways of avoiding taxing us—we ought to have an occupation tax, and that was covered by the third resolution of the Real Estate Brokers' Association presented here on February 25, which reads:

“Each and every individual, firm, limited partnership and corporation engaged in a legitimate business or profession, having an office or place of business for the transaction of same, shall pay a license to the county in which said office is located.”

The first thing would be for the city or the county to

have a registration of every person engaged in any capacity, except as an employee. Now, if nothing else, they should be registered. Now, the question is if we take that mercantile tax as it is——

Mr. Brown: Let me interrupt you there. Would it be on gross receipts?

Mr. Dallam: I am talking of registration. We will come to how to collect it afterwards. First, we have the registration of every person. Now, at present the little woman at the corner who sells tobacco and candy must pay \$2.50 when she opens her doors, and the manufacturer on the other side of the street doesn't pay a cent, and the doctor or dentist who lives adjoining this little woman, who has probably three or four thousand dollars a year income, he don't pay a cent. The question is why shouldn't they all be registered, and if we tax everybody and everything in that way, then we will get a lower tax among us all. As I say, instead of ten people paying the tax a hundred will pay the tax, and it will be diminished on all of us.

By Mr. Brown:

Q. Why should the real estate broker pay a tax and the lawyer not pay one?

A. I have asked that question, but that hurts the professional feelings.

Q. What is the reason for it?

A. There is no reason for it. I do not employ a cent of capital. Of course, I have my own capital. It doesn't require a cent of capital for you to put your house in my hands for sale, and I secure a purchaser for it, and get a hundred dollars for it. As I said in my address before the Brokers' Association, one-half of the real estate is sold by the lawyers and trust companies that don't pay a cent, and until the Act of 1895—I went to the Legislature at Harrisburg and I applied for the repeal of the Act of 1862, and the Legislature of 1895 repealed it. I

cite here as an exact case, yesterday I bought a property for a corporation. I was told it was worth \$75,000, and I charged them \$750. A lawyer sold it and charged them \$800, and under the Act of 1862, which was repealed, we, as real estate brokers, were compelled to make a return of that sale and pay \$22.50, and the lawyer did not pay anything to the State. We pay one-half of 1 per cent. upon our gross receipts without allowing anything for our office expenses, which may in some offices run one-half—we pay one-half of 1 per cent. and do not object to paying it, but I think the lawyer should pay his share as well as I do.

Now, you asked me the concrete question as to what tax would be just. Those that are older than I am—I am old enough—but those older gentlemen know the United States in 1862 passed an internal revenue tax, and after consideration they fixed upon one dollar a thousand as a just charge upon a man's savings, and we were then compelled to go down and make an affidavit as to our active sales for the preceding year. There is no reason why every manufacturer or man who sells his goods and every retailer and wholesale dealer should not pay the same. The retailer pays fifty cents to-day and the wholesaler pays a dollar. Who can tell the difference when a man has a sign out, "Wholesale and Retail Dealer"? I think they should pay a dollar and everybody pay it, the manufacturer included.

As regards professional men, taken off on the second of May, there are 659 people in the five professions, architects, dentists, doctors, engineers and lawyers. Those men are in the Philadelphia directory. None of them pay a cent.

Q. Why wouldn't you include there every man who doesn't work for another?

A. I picked them out merely to show the number. They were easy to count. I think our resolution is very plain: "Each and every individual, firm, limited partnership

and corporation engaged in a legitimate business or profession, having an office or place of business for the transaction of same, shall pay a license to the county in which said office is located." Now, if we do that we will get a great deal of money.

As regards the amount we will get on this mercantile tax from manufacturers, you asked me that question. I have not yet been able to find any one in the association who is able to tell me the output of Philadelphia. According to Mr. _____, he and I went over it, the output of the City of Philadelphia manufacturers in 1876 was over \$500,000,000. That would be \$500,000. Now, according to my estimate, the best I can find out, the output of the City of Philadelphia manufacturers is about \$900,000,000. That would be \$900,000 simply at one mill.

Q. What answer have you got to make to the manufacturers that that is a prohibitive tax?

A. If the manufacturer can not make as much or more than the wholesale dealer he is going out of business. They are not in business for fun. If the business is not profitable they fail. It is like any other man—they are looking out for their own interest. I think if they can't pay one-tenth of 1 per cent. on the sales, because that is what it amounts to—they pay 1 per cent. to the broker who sells goods for them, and 1 per cent. to the merchant—if they can't pay one-tenth of 1 per cent. on the sales, I don't think the business is worth carrying on. We people in the City of Philadelphia whom I represent, we are simply selfish, we do not want any more tax placed upon us; we are paying enough. We are paying more than we ever did, and I think if the State will divert that tax, that will divert \$900,000, because the City of Philadelphia must have about \$5,000,000 more added to its income. You may juggle figures and re-assessments and all that rigamarole, you can't get out of it. I don't think it is fair.

By Mr. McNichol:

Q. How do you make your calculations of that \$5,000,000 more for current revenue? Give us the facts. On what basis do you make that assertion?

A. If you will talk to any of the operative builders——

Q. I am talking to Mr. Dallam, who has made the assertion that no matter how you juggle figures, the City of Philadelphia must have five millions more added to its income, and when a man makes that assertion he must have some ground for making it?

A. That is arbitrary. It is arbitrary with me. I will take the responsibility for it. I have had property in the lower part of town and I was asked how much it would require to put a main sewer there, and they say three or four hundred thousand dollars. I will say to you in Richmond street we cannot do any building whatever north of the gas plant until we get our main sewers in, and it will take almost three hundred thousand dollars to main sewer those streets.

Q. How many streets are there?

A. About five or six of them.

Q. You do not consider a main sewer is a question that affects the current revenue of the city?

A. No, but——

Q. Let us get down to the question of current revenue of our city?

A. I am speaking entirely from the standpoint of the real estate builder.

Q. I am looking from the viewpoint of the five millions additional that would be required to run the current expenses of the City of Philadelphia, and I am hunting for information from just such men as you as to what you include in that item that you say represents the five millions of dollars?

A. Don't interrupt me until I get through. It all comes in the word "running the city." You may run the city

with one amount of money, and somebody else might run it with another amount of money, but the way I want to run it is this: I want, when the operative builder sees a piece of ground, and he says, "I can use it, I can get a sewer——"

Q. I just want to check you up as you itemize. You don't mean to have this Committee believe that the installation of sewers or opening of streets should be considered in the item of current expenses?

A. Oh, no, not that.

Q. Give us your idea.

A. That is my way of counting it.

Q. No, as a practical man you wouldn't put it that way. A sewer is a permanent improvement. I want to get from you, Mr. Dallam, wherein you have the facts that it requires five millions of dollars additional to run the current expenses of the City of Philadelphia?

A. I put it in this way, and I think you will agree with me, Mr. McNichol, that we can spend it very advantageously no matter where we get it; I don't dispute it for a moment, we could spend five millions of dollars very advantageously, yet before it can be spent——

Q. On what?

A. Main sewers and opening the streets.

Q. Let me ask you a question. Instead of requiring money for additional current expenses, as you say we do, is not the trouble in Philadelphia that we are operating under a constitutional provision passed thirty or forty years ago, and under which no business of an up-to-date character is being conducted under?

A. What do you mean—the pay-as-you-go bill?

Q. We pay as we go every day. In other words, if you have a permanent investment or improvement to make, the city has the right to have the borrowing capacity to put that permanent improvement in at once?

A. If you put it that way, yes.

Q. Would you, as a business man, operate your financial conditions as you did thirty years ago?

A. I don't know as I exactly would. I would have to do it more economically.

Q. You are not operating to-day as you did thirty years ago?

A. I don't know but I am.

Q. You have advanced with the conditions and with the times; your production has advanced in that respect?

A. Yes.

Q. The trouble with Philadelphia as a business proposition, and you will admit it, is that the borrowing capacity is limited to 7 per cent. and it should be 10 or 12 per cent., so that when the growth of the city requires a permanent improvement to be made in the City of Philadelphia, it should not be compelled to wait two or three years for it?

A. I want the money. I don't care how you get it. Interest items are a very small item. I don't care where you get it, we want five million dollars additional money for this year, and last year, and so on. You may take it out of a public loan or a loan for current expenses.

Q. Should it be taken out of current improvements?

A. We perfectly agree with you, that a permanent improvement like a thirty-foot sewer should be taken out of a permanent loan, but I know we don't get the money and we don't get the improvements, and therefore the real estate fraternity know we have to submit to more taxes.

Q. I will give you one reason why you haven't got it. To our regret, we for once in our lifetime listened to the voice of a reformer, and in doing that the City of Philadelphia has got to suffer for two or three years until we get ourselves up-to-date and in condition as other cities.

A. Other States allow 10 per cent., we know, and the New York people have complained that having left it at 10 per cent., they are now going to get an Act passed

to draw special bonds against special improvements. Their necessities have outgrown their income, yet they get thirty millions a year out of New York City, and we only get twenty-five millions.

Q. If we had sixty millions of bonds we could take care of every permanent improvement and complete everything in the City of Philadelphia for the next thirty years.

A. We have got to have the money. You remember that the moment we get a main sewer and we open up a street, a piece of property which I sell a man for six thousand dollars an acre and which at that time is probably taxed at forty thousand dollars, the moment his houses are built it is taxed for \$250,000 and the city gets that much revenue back.

Q. Yes, but you wouldn't think it was a fair proposition to make the people of to-day pay an additional tax to build that sewer?

A. No, certainly not. That is a different question. When I say we must have——

Q. Just a common-sense question?

A. Certainly.

By Mr. Brown:

Q. You have made a comparison between the proportions of the net income taken from the real estate owner in New York and in Philadelphia?

A. Yes, sir.

Q. And it is 25 per cent. in New York and 18 per cent. in Philadelphia?

A. Oh, no. Twenty-five per cent. of our annual revenues.

Q. Isn't it because our houses are two-story houses, and most of the houses there are three-story?

A. Yes.

Q. It costs just as much to pave the street and light the street here in the City of Philadelphia, where we have two-story houses, as it does where they have three-story houses?

A. In a New York block the same size houses have a two-million dollar assessment, and it will just cost the city as much to maintain that street as it would a block in which the assessment was more, but my point is this, that the taxes have grown so high that we get to-day less percentage from our houses than we ever did, and that is now about 25 per cent. of our net income, and in New York the maximum amount is only 18 per cent.

Q. You folks have advocated a tax on art, pictures, and so on. Do you think that is the consensus of opinion?

A. Our consensus of opinion is to tax everything in sight.

Q. You think the man who owns a two or three story house, or any other house, would be better satisfied if his personal property therein is taxed?

A. The first idea of taxation is to exempt necessities as much as possible and tax luxuries as much as they will bear. Therefore, when we in our resolution suggested an exemption to a householder of a thousand dollars, we thought that would exempt three-quarters of the ordinary housekeepers, but the man who chooses to decorate his house with fine art and paintings and other bric-a-brac, we thought he should pay for that luxury. The same way I first proposed a tax on automobiles. As I said, a man drives up to my house in an automobile that cost \$4,000, on which he doesn't pay any tax, whereas, if I sell a man a \$4,000 house he pays \$60 a year. The man with the luxury gets off free.

Q. Probably if he had not had the automobile he would not have come to your place and you would not have induced him to spend a hundred thousand dollars in some other place.

A. In the Ohio Tax Law, 1910, they tax everything there.

Q. How much of that do they collect? We had a man before us out in Pittsburgh, an expert from Ohio, and

they practically admitted that they couldn't collect anything of their personal tax; it was a dead letter, and he came to advise us to exempt all personal property?

A. That is the law of Ohio, 1910. The table that goes with it shows the amount of the collection and assessment. As to the way of collecting those things, that, of course, is a matter for quibble. Most of it, we know, is an income tax, and we can't get it, and the way to collect is to assess an approximate estimate. In the way the broker makes a return, it is a very fair way, and that is, he swears whether he has made over ten thousand dollars and less than twenty thousand dollars. Any man is perfectly willing to say that. Or, if he has made over twenty thousand dollars, he is perfectly willing to say, but what they do object to is to specifying the exact amount.

Q. That is graduated between lump sums?

A. Yes.

Mr. Brown: We have the Board of Mercantile Appraisers here on an invitation, and the Chairman, Mr. Van Valkenburg, has spoken to me and suggested that the information could be gotten from Mr. Ransley, as he is probably more experienced than some of the others.

Murdock Kendrick: I represent the Board in their disagreements, which are very few, with the taxables, and we came here in response to an invitation from the Counsel or Secretary of your Commission. We did not know just what you wanted. We have not formulated any particular ideas. We are spending most of our time in enforcing the law as it exists at the present time. We have statistics here which will give you the amount we have collected during the last three years, the amount it cost to collect, etc. It was suggested by your counsel that they would like to know what experiences the appraisers found in going around, as to the agreeableness or disagreeableness of their visits. I can say, because I have been present during the ten days during which

we have had appeals from the assessments, that out of 50,000 assessments there were during those ten days not more than 500 who presented themselves to make appeals from the bills that they had received, and in at least half of those cases they were where the taxables had refused to make returns in accordance with the law, and the appraisers when there was a failure to make a return always solved the doubt in favor of the Commonwealth and rated them a little higher than they thought perhaps they were actually entitled to, in order to bring the taxable to make a return.

By Mr. McNichol:

Q. You say there were 50,000 taxables?

A. Yes, sir, and possibly out of that number 500 actually came in in the ten days fixed for appeals, appeals from the ratings that had been given, and at least half of those were not where the Board refused to accept the return, but where no returns were made to the Board, in accordance with their duties under the law they had to rate them.

Q. You want to know what the Committee want, and Mr. Brown can give you an idea of what the meeting is for and why the Mercantile Appraisers were called here.

Mr. Brown: I might say that there has been an agitation in this State for many years, and at the last session of the Legislature it took an acute form in a united opposition to the continuance of the levying of the mercantile license tax, and we have received so many letters—in fact out of the 50,000 letters sent out throughout the State covering all the subjects which this Committee has been appointed to investigate, a very large number of them have been in opposition to the mercantile license tax, and in every class practically there has been opposition to it, and the thought is that we should gather and get all the information possible as to the fairness of the tax, and as to whether

or not it is one that should be repealed. It is in that spirit of gathering information on the subject that we have invited these gentlemen here today, so we can have the benefit of their judgment. That is the general thought.

Mr. Kendrick: I would say to the Commission in response to that that the first argument that might be made is a historical argument, that it has been one of the oldest taxes in continuous existence in this Commonwealth for almost a hundred years. It seems to me the logical conclusion to be drawn from the last argument we heard on behalf of the real estate brokers must be an income tax is the fairest tax, and while I am only expressing my own opinion, I trust sincerely that this Commission in making its report will consider seriously the advisability of framing an income tax and also an inheritance tax. I speak with regard to that for myself. But the mercantile tax laws as now enforced have, I think, all the good features of the income tax, without having the bad feature in the income tax, which is the inquisitorial tendency. We do not ask each dealer just what he makes each year. We ask him what his gross sales are, and on his gross sales, irrespective of profits, a certain percentage is taxed.

By Mr. McNichol:

Q. Is that percentage fixed by law?

A. Yes, one mill on retailers and one-half a mill on wholesalers, and the reason for that is that, as a rule, the retailer makes a larger percentage on the amount of goods sold than the wholesaler; as a general business proposition the wholesaler has to sell twice as much goods in order to get the same profit that the retailer does. The percentage of the retailer is greater. That is, classifying all retailers. The Acts draw a distinction between what is a wholesaler and what is a retailer.

Q. You do not mean to tell this Committee that the wholesaler makes less than the retailer?

A. Percentage, yes, sir, and that is the theory on which these Acts were framed, and I believe it to be true, and I think that as a general business proposition you will find that the wholesale merchant does not get as large a commission or percentage of profit as the retailer does—the gross, I mean. The Act makes that distinction and also defines what a retailer and what a wholesaler is. The wholesaler is one who sells to somebody else not the consumer, and the retailer is one who sells to the consumer only.

Mr. Brown: Another thing, probably, Mr. Ransley or one of the appraisers would be better qualified to speak about it, but we find in a number of the letters that there is no opposition to the tax, but they complain largely outside of the city that all in the same class are not taxed; in other words, that the tax does not operate equally on all. They say, “We are glad to pay our tax providing the other fellow in the same business pays his share.”

Mr. Kendrick: Of course, we cannot speak for anybody outside of the County of Philadelphia, but so far as the County of Philadelphia is concerned, I can assure this Commission that the law is equally administered as to all persons of the same class. It may be that an appraiser when he has a whole district without any supervision other than the County Treasurer might make exceptions, but whether through ignorance or mistake or otherwise there are exceptions made, that would not affect the wisdom of the law, but only the propriety of its administration.

Mr. Brown: If you want to answer for the whole Board as to the practical workings of it, I will go on and ask you some questions.

Mr. H. C. Ransley: I will answer any questions you want to ask. My experience has been, so far as being a mercantile appraiser, that we have also received many letters from time to time, as you have complained, that people have not been assessed, where the man or the firm making the complaint says that they have been assessed, but that their competitors have not. We have made an investigation of those facts as complained of in the letters, and every time, so far as the district that I have in hand is concerned, I have found that those complaints were false. The appraiser to a great extent has his own district positively in charge. He is responsible for his district. I have never investigated any other complaints but those being made of the district that I have in charge, and it is fair to presume that the complaints that you have received have no more foundation than the complaints that I have investigated in the City, that they are not made on facts. In the first place taxes of any kind are not popular with the people, and therefore complaints will be made from time to time. In other words, I believe that the great bulk of your letters complaining are not really founded on facts, judging from the experience that I have had.

Q. How do you start out to make your appraisements; what is the first step?

A. The first step is to send out——

Q. In the first place, there are five in your Board.

A. Five members on the Board.

Q. Five mercantile appraisers?

A. And each member has a clerk.

Q. What is the first thing you do towards getting a list of taxables?

A. We send out about the first of the year, usually the last two or three days in December, a blank form requesting all those who are——

Q. How do you get the names of those to whom you send the blank form?

A. From the previous assessment that has been made in the year previous.

Q. You take that from the book that is furnished to the City Treasurer; a complete list

A. No, we take that from our own canvass that has been made.

Q. Why don't you take it from the return which has been made to the City Treasurer

A. Because we take all our own street books and perfect the State book according to our street book, our street book being at all times recognized as the book of original entry, and therefore should be the reliable book.

Q. Does your street book tally with the City Treasurer's book for the preceding year?

A. I may state it does.

Q. That is the idea?

A. It must do so.

Q. Because the City Treasurer's book is made up from the street book?

A. Which is the book of original entry.

Q. And from this street book you send the preliminary notice?

A. Yes.

Q. What is the next step?

A. We will have probably 20 per cent., 20 to 30 or 35 per cent. of the people will make sworn returns. Those who do not make returns, it is then the duty of the appraiser to call upon them.

Q. Isn't it the duty of the appraiser to call on all of the taxables?

A. Why should he call upon the man who has made sworn returns? That would be merely interfering with his day's business.

Q. How do you know whether the man who makes the return has made a correct return, unless you go into his place and take a look yourself?

A. Well, as we go around——

Q. What I ask you has been suggested by these different things?

A. As we go on the street of the man who has made a return the appraiser naturally will size up the business. If he has been in the district any length of time he is more or less familiar with the size of the business, the depth of the store, the stock carried, and so on. He must have been at some time in that store. He will then find out whether—that is, he will judge whether that return is low or not. If it is low, it is customary for the appraisers to mark “Low Appraisement,” and next year when returns are made again and sworn to, to refuse to accept them until an investigation is made or an explanation made.

Q. What is your next step? From the street books you send a notice, and then those that do not reply you visit?

A. We call on them, not only getting the old appraisements, but all new appraisements.

Q. How do you get new appraisements?

A. By visiting them, being upon the street, by the actual street canvass from house to house.

Q. So by that means none can escape?

A. Absolutely none, providing the appraiser is diligent.

Q. Well, have you folks ever had any complaints that the appraiser had not been diligent?

A. As I say, we have received letters just the same as you have, complaining; say, for instance, John Jones writes that so-and-so in the same neighborhood has never been appraised and has boasted that he has never been appraised. I have investigated those complaints in the district which I have and found in every case they were not true.

Q. What is your next step?

A. Then after the returns are completed, and under the law they must be completed before the first of May, then we have a hearing. There are appeals to be made where any one claims that the appraisement is exorbitant, or that error or a mistake has been made. They then appear before the Board and have a hearing. They are sworn to the facts, and probably we will have no more than 10 or 12 per cent. of the entire appraisement. appear for a hearing complaining as to the appraisement. After the hearing the books must be written up, one copy going to the City Treasurer and the other going to the Auditor General. Those copies, as I said before, are exact copies of our street book, which is the book of original entry.

Q. Since the passage of the Act of 1897, providing for the licensing of brokers, has there been any diminution in the revenues?

A. Yes, there has been, to my mind, that is from certain firms, individuals or corporations, but in its decreasing for one year, which was the returns for 1908, I am satisfied that to a great extent that is traceable to what was called the rich man's panic. Many business men complained of a falling off of the business. Being engaged in a little business myself, I am satisfied that that was true. Again, the new Act that went into effect relative to brokers had a tendency to cut down the returns of that year. That is, as to the money paid into the State. For instance, many people who had formerly been classified as wholesalers—I won't say many, but some that were classified as wholesalers, under the new Act claimed that they were brokers.

Q. Have you made any general re-classification since that Act, so as to put the brokers all in one class, and the wholesalers who were formerly doing the same business back where they were?

A. What is that, Mr. Brown?

Q. I say have you separated and taken all of the wholesalers who were doing a brokerage business, and made any separation so as to bring the brokers directly under the Act of 1907?

A. We always separate the brokers in our returns to the Treasurer and Auditor General.

Q. Has that been done on the request of those doing a brokerage business, or just done by the Board since the Act?

A. Well, I believe entirely by the Board at a hearing.

Q. I just wanted to find out the consensus of opinion or sentiment of the people in regard to whether they should be considered brokers or doing a wholesale business?

A. I believe the Board decided what they believed was the true interpretation of the Act.

Q. Have you folks given any thought as to the lessening of the cost of collection of these taxes, as to whether or not that cost can be lessened and still produce substantial results?

A. In the first place, the figures I have had access to show that it cost about 10 per cent. to collect the tax I doubt very much if it could be reduced.

Q. Isn't it a very large sum for the collection of what is practically fixed by law?

A. When I say 10 per cent., that is for the entire State. In the City of Philadelphia I think it is about 8 per cent., between 8 and 9 per cent. We have tried and tried and gone to extremes in the matter to reduce the cost of collection. We have done everything in our power to prevent cases going to the magistrates to be sued out where we knew the State could not collect. While a man might be liable under the Act, it appeared ridiculous to us that we should sue out that individual when he had not enough goods to pay the Magistrate's costs, and therefore could not pay anything to the State. We

would only add to the cost, and it has been the determination of the Board for years to cut that down as far as possible. In other words, where we find that the stock is not sufficient to warrant the payment of the Magistrate's fees and so that they can collect the tax as charged by the State, we do not sue it out. I am satisfied we are right in doing that, because the Magistrate's costs would be added to the State's costs.

Q. How do you fix your classification tax; how do you determine that?

A. As wholesalers?

Q. Yes?

A. That is fixed by law.

Q. You get $62\frac{1}{2}$ cents for each classification?

A. For each classification with the exception of brokers, and the broker pays 75 cents.

Q. How do you fix that; from what list is that made up? Is that from your returns to the Treasurer or your street books?

A. That is from the returns to the Treasurer.

Q. Not from your original street book?

A. No.

Q. That would be for every one who would be properly classified?

A. Yes, sir.

Q. You are sure of that return?

A. Yes, sir.

Mr. Kendrick: They make two returns—one to the Treasurer and one to the Auditor General.

Mr. Brown: I understand that. But I want to find out where—complaint has been made that there is more money paid for classifications than there were classifications.

A. It would not be possible. It could not be.

Q. That is the reason I am asking you what list you

make up your classifications from. It is from the street book——

A. We also pay according to the returns made to the City Treasurer and the Auditor General. As I say, those returns are copied from the book of original entry, the street book.

Q. Have you folks given any thought to the difference in the cost of collection of that mercantile tax and the real estate tax? I want to get your thought on it. Why should there be a difference between collecting this mercantile license tax and in the State tax?

A. Well, in the first place, the printing will enter into the expense to a great extent.

Q. The what?

A. The printing, which is done by the State. That, of course, will be charged up. Now, as I say, the State cost—I think I am right when I say it runs to 10 per cent. Now, that, of course, will include the printer's bill, which must of necessity run into big figures. Again, outside of the County of Philadelphia all appraisements must be advertised. That again runs into big figures.

Q. You don't do that here?

A. Understand under a special Act Philadelphia does not publish the appraisements, on account of a special Act.

Q. That is the distinction——

A. That would cut it down in the State. I am satisfied I am right when I say it would probably cut down the expense 2 per cent.

Q. We have a number of letters which say the reason given for the abolition of this tax is that there is such a great disparity between that and the real estate cost. The Receiver of Taxes adds about 90/100 of 1 per cent., and the cost of the revision is very small, too.

Mr. Kendrick: It doesn't cost any more to collect the tax from John Wanamaker or Lits than it does

from a small cigar man on the corner, but there are a great many people who pay a much smaller tax than the ordinary householder, and that is the reason that the percentage of collection is greater.

Mr. Ransley: The volume is greater.

By Mr. Brown:

Q. But both are fixed. The store-keeper who pays a tax on his house, that is fixed, and if he is taxable under the mercantile license law, it is fixed there, so why should there be a disparity in the cost of the collection of the tax, he being severally assessed by different assessors, and the money for which practically goes to the same destination?

A. The salaries paid to the appraiser of real estate is not as much in the first place as that paid to a mercantile appraiser, but still there are more in number of the real estate assessors.

Q. That wouldn't affect the percentage?

A. That is my impression off-hand, Mr. Brown.

Mr. Brown: The taxes on real estate are much larger than the taxes on personality. It is the personality that is in question here. I wish you folks would give a little thought to that, Mr. VanValkenburg, because we have a number of letters about that.

Mr. VanValkenburg: I would like to ask you if there has been any complaint as to the burden of this tax upon anybody?

Mr. Brown: Not so much that, but that some paid and some do not. That seems to be the complaint throughout the State on all taxes. Everybody seems to be willing to do it, providing the other fellow pays his share.

Mr. VanValkenburg: Mr. Dallam made a remark comparing the manufacturer with the little shop-keeper. The only burden under this tax is upon the little shop-keeper that does a gross business of from one hundred

to a thousand dollars a year, and that is the criticism of the Act, if any, but in actual practice of collecting this or making these appraisements we find in my district particularly little shop-keepers or little candy stores that don't do a gross business of \$250 a year, and maybe not a hundred dollars. We are obliged to appraise them, and the lowest tax is \$2.60.

Mr. Brown: I suppose you have complaints from those more than the large ones?

Mr. VanValkenburg: That is where the burden is. Of course, they submit, but they have the real burden. We find no complaint from the wholesaler and retailer who pays one dollar upon every thousand dollars of business done.

Mr. Brown: Will you folks prepare, or have prepared, Mr. VanValkenburg, a memorandum showing the changes since the 1907 law, that is the re-classification from the 1907 law? For instance, take 1907, a man would have been taxed for \$100,000 or \$50,000, and he comes in under the 1907 law part for brokerage and part for the other. Will you have a table made showing that difference, and also showing the relative appraisements, say for 1908, 1909 and 1910? The thought is to see just how in the volume of business this tax has worked.

Mr. VanValkenburg: With reference to the Brokers' Act, I can give you off-hand and very briefly: In 1907, that was before the Act went into effect, we collected under the old Brokers' Act \$21,515. In 1908, when the new Act goes into effect, \$30,190. In 1909, which was based upon 1908 business, which was a very bad year, it was \$33,365, and no increase in the wholesale or retail.

By Mr. Brown:

Q. That shows they were drifting from the wholesale and other classes into the broker class?

A. Well, yes. No decrease, however. In fact, there was an increase of over \$50,000 in 1907 and 1908.

Q. In the aggregate?

A. Yes.

Q. That is, you got more brokers?

A. Under the retail and wholesale, so there is an increase under the Brokers' Act, an increase in three years, except 1908 there was a slight decrease, due to the panic year, I think, but the two years indicate an increase rather than a falling off.

Q. You evidently have that table already prepared?

A. Yes, sir, I have that. I have three years.

Q. Now, if we can have the other, so that we can make some comparison there between 1908, 1909 and 1910, the increase or reduction——

A. I think this will be of some value to you. Just one other thing I think of that is in favor of this Act, and that is it is not subject to the fluctuations a corporation tax is. You are absolutely sure of one million dollars from this source every year, and that will surely increase unless it is in the case of a panic such as we passed through a year ago.

Q. Mr. VanValkenburg, how much do you depend upon the return of the taxable?

A. Well, that is in some cases a farce and a joke.

Q. In other words, do you take his word?

A. Well, each appraiser is qualified to administer an oath, and they are supposed to make these returns under oath. In our experience we find people do not think much about an oath. They swear to most anything. That is, a certain class.

Q. If it is a good tax, of course, the law ought to be enforced?

A. Yes.

Q. What have you to suggest as to a better method of enforcing that law?

A. Well, I haven't any. I think if the appraiser does his work properly he should go on the premises, and if he has any doubt make the appraisement himself.

Q. Do you folks do that?

A. Yes, sir.

Q. Is that very offensive to the people?

A. Not at all.

Mr. Kendrick: Not to the guilty.

A. In fact, they expect us. They don't make the return.

Q. Do you examine into their books at all?

A. Yes.

Q. In other words, you do everything you think ought to be done to get a proper return?

A. Yes.

Q. In looking over the returns to the Auditor General my thought was that there seemed to be a small return for pool tables and bowling alleys, and things of that sort. Are all pool tables and all those things outside of social clubs, saloons and all——

Mr. Kendrick: Most of them are in saloons, and the saloonkeeper comes up and swears he does not keep it for profit or charge anything. The nearest decision we have in favor of fixing the tax is the decision that says where a man put up a sign "Pool Room. Games must be settled for immediately afterwards," and the method of settling was for the loser to buy drinks for the participants, the saloonkeeper was held liable for the tax of keeping shuffle boards and pool tables. This year it is thought they will assess all keepers of pool tables or shuffle boards.

By Mr. Brown:

Q. Mr. VanValkenburg, under what class do you head the men who are known as loan sharks and usurers. We have some communications about those, that they are taxed and are exhibiting their certificates from the Board as an authority to go on and do business. What is the thought of the Board on that subject?

A. I don't think that. We were charged with that, and it isn't true. The appraisers are supposed to have

personal knowledge of every appraisement of every man, and every appraisement he makes. I am sure that for the last three years this Board has not issued any license for loan sharks. The reports given me will show that.

Q. Has there been an increase in the number of appraisements each year?

A. Yes.

Q. Greatly increased each year?

A. Yes, sir.

Q. And does that increase in amount, too?

A. Yes, sir.

Q. More appraisements and more revenue?

A. Yes, and more money. I think this would be a proper suggestion from our standpoint. I think the manufacturers should pay a tax. I think the time has arrived when they should be taxed.

Q. You mean you think the manufacturers should pay——

A. A mercantile tax, yes sir. It could be done with the same force and under the same Act. Of course, we do have a great many manufacturers on our list.

Q. Have you talked any with manufacturers? You get around among them. What is the thought that you get?

A. I am unfortunately over in the center of opposition to that, and I hear more of that end of it than I do the other side, but I believe generally the manufacturer is willing to pay a tax.

Q. As you folks go around have you had any suggestions from the people who pay this tax as to what others should do? Complaints that they are paying more than their share? I mean to gather the general thought on the subject?

A. No, unless that it would be that the manufacturer should pay. That, of course, we hear all the time. They don't see why the manufacturer should be exempt.

Mr. Brown: I may ask you for further information, if you will grant me the courtesy. I will write you a letter, as I read over the correspondence I have gotten, and I may want data to check up those things.

Mr. Moyer: Did you go into the matter of complaint about the expense of collecting this mercantile tax?

Mr. Brown: I have asked a number of questions and I can ask Mr. VanValkenburg whether or not the collection can be less expensively done.

Mr. Moyer: What are the advantages of advertising, if any, in the State?

Mr. Brown: I only asked him about the local situation here.

Mr. Moyer: That seemed to be the chief complaint all over the Commonwealth, that the machinery for the collection of this tax was so expensive. Many people seemed to think the advertising ought to be cut out.

Mr. VanValkenburg: I don't think, as a matter of fact, that that amounts to very much, simply a report written in a country newspaper, and you know what that is, perhaps \$75.

Mr. Brown: I stopped on my way in here this morning to ask the City Treasurer if he had any memoranda or tables showing the cost to the State, and he handed me something I think you had prepared there.

Mr. Kendrick: The report from the Auditor General's office shows that. It cost us 8.9 per cent. last year, and in addition to that percentage there is a certain amount of fees which goes into the City Treasury which was not made in the report, and which would reduce that. That is the fee which goes to the City which is supposed to pay the State Department of the City Treasurer's office.

Mr. Moyer: The chief complaint at Pittsburgh, in Allegheny county, they had advertised, and they said the bill for that was enormous.

Mr. VanValkenburg: That is a very bad situation out there. They are under a special Act and there should be some legislation, and the bill was prepared last year similar to our special Act here, but it wasn't passed.

Mr. Moyer: The most of the complaints came in from the merchants of that locality, who said they did not object to paying the tax, but what they did object to was so much of this tax was paid to support the machinery for the purpose of collection.

Mr. VanValkenburg: That is a very bad showing out there, and it makes a bad showing in the State.

Mr. Brown: It raises the average.

Mr. VanValkenburg: Yes, but we feel here the actual expense will not exceed 6 per cent., and that is about as cheaply as the tax could be collected.

This Board has made every effort to hold the social clubs. We believe there are people engaged in the retail business conducting a meeting house for pool and billiard players, and we have also tried to hold the express companies, wherever they have an office.

Mr. Brown: We would be glad to receive any suggestions you may wish to make in order to make the law more effective.

Mr. Kendrick: We will confer and communicate with you.

Mr. Carroll: I happened to be in office at the time the Act of 1900 went into effect and I have been there ever since, about half of that time as a clerk, and the other half as an appraiser, and I find the people are satisfied with the present Act, more so than they were with the old Act. Some of the larger firms pay more than they did under the Act of 1900, but at the same time they are satisfied to this extent that they brought every person in. There are no exemptings. In the previous Act there was an exemption clause. I feel satisfied the present Act

is satisfactory to the business men, and in my going around during the last ten years I find, as a rule, they are satisfied, with the exception of the agitators, and they aren't satisfied. When the matter is properly explained to the business man he is satisfied. I think the majority of them are satisfied with the tax at the present time, providing it is properly administered and properly collected. I find very little fault with the average business man who keeps any kind of books at all. As a rule, no complaint at all. But take it in the district I have, there are a great many small storekeepers, lots of them don't speak the English language. They don't keep books at all. They have one song they sing: they take in so much a week and they don't give any different from that. The appraiser in the majority of instances like that has to use his own discretion by visiting the place. Not in all cases is the affidavit of the person taken. The appraiser knows in lots of cases they are not making a proper return and he refuses to take it. It is as I say only by a personal visit that you can really do your duty properly, and I think the Act as it stands at the present is not unpopular with the business men, except when the agitators misrepresent things to them.

Mr. Brown: Mr. Kendrick has said that 1 per cent. appeal to the Board. How many go on to the Court and are decided?

Mr. Carroll: None at all, except——

Mr. Kendrick: There were only three appealed to Court last year.

Mr. Brown: Do they express any dissatisfaction or say it is the amount they object to?

Mr. Kendrick: Perhaps one out of a hundred come in, but it is our opinion that the great majority of them go out with smiles on their faces.

Mr. Carroll: When a man swears he did \$3,000 a year business, after a personal visit to that man he will not hesitate to tell you he takes in from \$125 to \$200 a week,

and will also swear to that, and the appraiser has to use his discretion. That is a sample of what you get sometimes, but you don't get it from a man who keeps books.

By Mr. McNichol:

Q. How do you make your classifications in the larger cases?

A. We take into consideration the location, character of business, how much of a return they made before that. We find little fault with the people who keep books. It is a business proposition with them. The people of foreign nationality who do not keep books, we have trouble with them.

Q. Do they swear to the return in the larger cases?

A. Oh, yes. Also I would like to say this: In some cases it may be a new business, and a man may be in business a month or two, and therefore he can't make a return for a whole year. It is within the discretion of the appraiser to rate that man counting up twelve months the amount of business he might have done in twelve months, and the amount is figured out. Of course, if he had been in business twelve months, he could make the proper return for the full year.

Q. What information do you generally require to classify under the mercantile Act and the subsequent Act of 1907, known as the Brokers' Act?

A. Well, that matter, of course, has been gone into by Mr. Kendrick and Mr. Ransley in regard to that. Since that time there has been a different classification made of quite a number of people.

Q. A large number?

A. Yes, sir.

Q. Especially among the large people?

A. Some of them only made a return as a wholesale dealer, but since that time they have been classified as a broker and also sometimes as a wholesale dealer.

Q. How often have they been classified as both?

A. I couldn't tell you off-hand.

Mr. VanValkenburg: There was no falling off under the Retail Venders' Act. There was an increase in two years, and also an increase under the Brokers' Act.

Mr. McNichol: The Board would not recommend the repeal of the Brokers' Act?

Mr. VanValkenburg: It would not, no sir. There are features, I think, but on the whole it is a very good Act.

Adjourned to meet at the call of the Chair.

Public meeting of the Commission held in Room 496, City Hall, Philadelphia, on Tuesday, October 4, 1910, at 11 A. M. Present: James P. McNichol, Chairman; William H. Keyser, James F. Woodward, William C. Sproul, of the Commission; Francis Shunk Brown, Esq., Counsel.

Meeting called to order by the Chairman.

Mr. Brown:

Mr. Chairman and Gentlemen:—For the information of those present who have not attended any of the previous meetings of this Committee, it might be well to inform them of the reason why we are here.

This Committee was appointed by a joint resolution of the Senate and the House of Representatives of the Commonwealth, to constitute a Joint Committee composed of three members of the Senate and three members of the House, for the purpose of considering a revision of the revenue laws of this Commonwealth, together with a consideration of certain proposed amendments in the general corporation laws of the Commonwealth.

In pursuance of that duty, the Committee has visited Pittsburgh, Williamsport, Scranton, Erie, and we have had several meetings here in Philadelphia for the purpose of ascertaining from our people who are interested their views upon the subjects outlined. For this purpose we have heard representatives from all business interests and all tax paying interests, our idea being to give the people of the Commonwealth who pay the taxes an opportunity to present their views of the reasonableness and fairness of the methods of the taxation systems of the Commonwealth. As we have gone around, we have had suggestions—a hundred of them—yes, a thousand of them—from all interests. Some of these interests are represented here today. We have invited here today representatives of the railroad companies, of banks, saving

funds, trust companies, insurance companies and other interests, for the purpose of ascertaining from them their views as to whether or not the present taxation system of Pennsylvania is fair and equitable, and if not, wherein it is not so, that we might have the benefit of their suggestions, that when we make our report to the Legislature, the proper consideration might be given their suggestions.

As the Pennsylvania Railroad Company is probably the largest tax payer of the Commonwealth, we would request Mr. Nichols to appear for them.

Mr. H. S. P. Nichols, representing the Pennsylvania Railroad Company:

Mr. Chairman and Gentlemen of the Commission: I am here to represent the Pennsylvania Railroad Company today.

Mr. Brown:

In the first place, Mr. Nichols, has your company any suggestion to make as to any proposed amendments to our laws or any changes which they would consider beneficial? If so, we should be glad to hear them.

Mr. Nichols: I cannot, as you suggest, state definitely any suggestions that the Pennsylvania Railroad Company may have to make with reference to any proposed changes in the taxation system of Pennsylvania, but I will say, in behalf of the company, that we are perfectly willing—and we consider it our pleasure, as well as our duty—to co-operate with this Committee in suggestions it has to make with reference to any changes it has to suggest or any changes in the method of taxation it might suggest. If this Committee will, at any time, intimate to the company exactly along what lines they want an expression of the views of our company. I will say now to the Committee that an executive officer, of the company will present to them in writing the views of the company along the lines suggested by the Committee.

Mr. Brown: It has been suggested that the taxation of railroad companies and transportation companies, in fact, all corporations, but especially transportation companies, should be on the basis of gross receipts. Direct your attention to furnishing this Committee your views as to how such a tax would operate from the standpoint of the com-

pany as well as that of the State, and if such a tax, in the opinion of the company, would be considered a fair method.

It has also been suggested that there should be a local tax on the real estate of transportation companies. The counties complain that they do not get the benefit they are entitled to from the inclusion of the real estate values in the valuation of the capital stock, and that they should tax this real estate locally; and the thought is by some that that valuation should be deducted as an item from the valuation of the capital stock.

Mr. Nichols: They get it on the real estate located in the county, and all these counties also get taxes from the company in the matter of the distribution of the school fund.

Mr. Brown: But they think that ought to be done locally. They would tax the water tanks and road-beds locally. There have been suggestions that the values of real estate as included in the capital stock valuation have not been the full values of the real estate as compared to similar real estate in these several localities.

Mr. Nichols: You are speaking of real estate, as I understand you, that is used in connection with the railroad—not real estate not used in connection with the railroad purposes?

Mr. Brown: Yes.

Mr. Nichols: That is taxed in Allegheny and Philadelphia counties.

Mr. Brown: There has been another suggestion: That there ought to be an assessment of the total valuation of all assets, irrespective of liabilities. The farmers claim that their debts are not allowed for in the assessment of their real estate, and hence there should not be any abatement or reduction allowed to anybody else.

Mr. Nichols: That is along the lines suggested by the Supreme Court that they cannot be deducted but are to be taken into consideration.

Mr. Brown: Yes. The Supreme Court decided you can consider debts but not deduct them. It has also been suggested that that a corporation should pay a tax on all bonds, whether owned by the residents or otherwise. In other words, there should be no preference shown as against the non-resident; but that the company should pay the tax on all bonds and should be assessed against them as such.

Mr. Nichols: I understand from that that they should pay a tax on all loans they might issue?

Mr. Brown: Yes.

Mr. Nichols: Irrespective of who may own them.

Mr. Brown: The contention is that with many corporations in Pennsylvania there is little or no effort made to ascertain the residence of the bond-holders, and many large amounts go untaxed.

Mr. Nichols: I assume you gentlemen want a legal opinion on that?

Mr. Brown: One gentleman, when he appeared before us, claimed that liabilities represent assets. They are supposed to represent the actual value of the company and are embodied in their assets, hence should be taxable as such and should not be deducted.

Mr. Nichols: We will see that answer is made to these various questions that have been suggested. I don't think the Committee would expect that I would be able to give at once an answer to questions which have not been fully considered. These matters have been the subject of legislation for sixty years, and I would not want to say that our company could do it in a day.

The Chairman: I thought you kept your business up-to-date?

Mr. Nichols: Yes; but this is new business. The other is old business.

Mr. Brown: Is there an objection to the toll-paying custom in our present laws?

Mr. Nichols: Yes.

Mr. Brown: We would like to have your views also on the time of return. There have been many suggestions that the fiscal year should be the calendar year. Give us your views on that.

Mr. Nichols: There might be a difficulty there owing to the fact that the Interstate Commerce Commissioners require our accounts to be made up to a certain date. That would have to be taken into consideration.

Mr. Brown: I think there is a movement to make them agree with that.

Mr. Nichols: That would be subject to the future orders of the Interstate Commerce Commission.

Mr. Brown: Your company is supposed to return all property under its control?

Mr. Nichols: Yes, it appears on the returns furnished the Auditor General. It appears exactly just as stock is owned and controlled by the Pennsylvania Railroad Company.

Mr. McNichol: We are referring to public railways under the control of the railroad company.

Mr. Nichols: They will appear that way. We make that return and it appears exactly what these companies are. We have furnished it to the Auditor General and can furnish it to this Committee, and thus it will appear before you what the facts are.

Mr. Brown: You understood what I mean by toll?

Mr. Nichols: Yes, sir.

Mr. Brown: Is there anything else on your mind, Mr. Nichols?

Mr. Nichols: No, sir. But if you will make any suggestions to the Pennsylvania Railroad, we will be very glad to take the matters up and give such information as requested.

Mr. McNichol, Chairman: Thank you, Mr. Nichols.

Mr. Brown: We would be pleased to hear from Mr. W. R. Taylor, Vice President of the Philadelphia and Reading Railroad Company. Mr. Taylor, have you any suggestions to offer as to any changes in the present taxation methods? If so, we would be pleased to hear them.

MR. W. R. TAYLOR, Vice President of the Philadelphia and Reading Railroad Company:

Mr. Chairman and Gentlemen of the Commission: My people expect me to bring to them the suggestions and plans of this Committee, and the company will consider and stand willing to give you any information we have and to make any suggestions we think proper.

Mr. Brown: I presume you are not in a position to answer as to whether or not the company has any suggestions to make as to the taxation system?

Mr. Taylor: My people do not understand that the Committee has any definite plan, and any suggestion they wish to make to the company will receive consideration. If you submit the plan as outlined to the Pennsylvania Railroad Company, I am sure my people will be glad to investigate it and give you their views and furnish you with any information we may have.

Mr. Brown: Is your company satisfied with the present methods of taxation?

Mr. Taylor: Now, I wouldn't express any opinion on that subject either. I am merely here for the purpose of obtaining the views of the Committee so we can make our answer to them. We have received one communication from the Committee in regard to our real estate and are engaged in making up a statement such as you desire.

Mr. Brown: That is in reference to the suggestion made by the farmers as to the subject of local taxation?

Mr. Taylor: Yes, the first communication. We have here a return that our three companies made to the Auditor General last year—the Reading Company, the Railway Company and the Philadelphia and Reading Coal and Iron Company.

Mr. Brown: So far as I know, we have received no complaints from the railroad companies that the present taxation system was not fair so far as they are concerned.

Mr. Taylor: Well, I don't know.

Mr. Brown: I presume unless complaints are heard we are to consider them as satisfied.

Mr. Taylor: I guess they are like every other tax payer. They all think they are paying too much taxes.

The Chairman: Mr. Taylor, how long will it take to answer the questions?

Mr. Taylor: On the subjects that Mr. Brown presented to Mr. Nichols?

The Chairman: Yes.

Mr. Taylor: Well, at least a couple of weeks. A week or ten days probably at least.

The Chairman: I just asked the question so it would guide us.

Mr. Taylor: If these questions are submitted to our people they will take them under consideration immediately.

Mr. Brown: We communicated with all railroads and other taxable interests in Pennsylvania as soon as the Committee was appointed. We have heard from some. It was done in the hope that those interested in taxation would come forward and give us their views on the subject.

Mr. Taylor: I don't think our company ever received a communication that would warrant them in coming forward.

Mr. Brown: We have Mr. George S. Garrett, of the Philadelphia and Reading Coal and Iron Company here. Perhaps he has some suggestions to make.

Mr. Taylor: What I have said about the Railroad Company will apply to the others.

Mr. Brown: Then we will excuse Mr. Garrett.

MR. J. F. SCHAPERKOTTER entered appearance for the Lehigh Valley Railroad Company.

Mr. Brown: We will now be pleased to hear from the United States Express Company. I believe they are represented today by Mr. W. W. Callin. We would like to hear from Mr. Callin.

MR. W. W. CALLIN, Attorney for United States Express Company:

Mr. Chairman and Gentlemen of the Commission: I am here to represent the United States Express Company.

Mr. Brown: Is your company satisfied with the present system of taxation in Pennsylvania?

Mr. Callin: I don't know of any objection we have. I would not like to commit the company on that.

Mr. Brown: Are you familiar with the subject of taxation of your company?

Mr. Callin: To a certain extent, yes.

Mr. Brown: Have you your return with you?

Mr. Callin: Yes, sir.

Mr. Brown: May I see it, please?

Mr. Callin: (Hands Mr. Brown returns).

Mr. Brown: Is it for 1909?

Mr. Callin: There is 1909 and 1908 together.

Mr. Brown: You don't have capital stock. You have interest?

Mr. Callin: Yes, only interest. The company is not incorporated.

Mr. Brown: Your interest represents ten millions?

Mr. Callin: Yes.

Mr. Brown: What is the total value of the assets of the company as represented by business in Pennsylvania?

Mr. Callin: Do you mean real and personal property?

Mr. Brown: Yes, assets in Pennsylvania.

Mr. Callin: It comes to approximately one hundred and fifty thousand.

Mr. Brown: What is your bonded debt in Pennsylvania for which you get reduction?

Mr. Callin: None at all.

Mr. Brown: Have you any suggestions to make at all to the Committee?

Mr. Callin: I have none at all. I expected the Committee would have suggestions that perhaps we might be able to take up.

Mr. Brown: We invited you down here to get information as to the present system and get suggestions from you as to any changes you thought proper.

Mr. Callin: I don't think any have been thought of along that line.

Mr. Brown (referring to paper): Does that show the total amount of business done in Pennsylvania?

Mr. Callin: No, this just shows the gross earnings annually.

Mr. Brown: What does that amount to?

Mr. Callin: The tax for the last half of the year 1910 is three thousand five hundred and fifty-four and for the first half three thousand five hundred and forty-four—about seven thousand for the year.

Mr. Brown: What does that represent in property?

Mr. Callin: That is hard to say.

Mr. Brown: What is the gross profit? What is the profit resulting from your business in Pennsylvania?

Mr. Callin: The books of the company are not kept in such a way that you can separate the expense of doing business in any one State.

Mr. Brown: How does that compare with the mileage in Pennsylvania—compare with the mileage elsewhere?

(No answer).

The Chairman: What is the approximate amount?

Mr. Callin: As I stated before, the books of the company are kept and the business is done in such a way that it is impossible to state the profits for one State. The best we can do is to approximate this—take the gross business throughout the country as a basis. We have had great difficulty in separating these.

The Chairman: What is the percentage of business done in Pennsylvania of the whole business?

Mr. Callin: I have not the gross earnings report here, and I cannot tell you off-hand.

The Chairman: It looks like a small return to the State, just in a casual way of looking at it?

The Chairman: What is the net profit of the company on the whole of its business?

Mr. Callin: A little less than 63 per cent. The gross business was a little over seventeen million and the net was four hundred and forty-five thousand.

The Chairman: Do you mean to say that is all the profit the express company paid?

Mr. Callin: Yes, net profit in operation.

Mr. Brown: What is the net profit on the whole business done?

Mr. Callin: That is the total business done.

Mr. Brown: The only way you can get the amount of business done in Pennsylvania is by comparing the total amount of business done with what is done here. How about finding out from the dividends paid?

Mr. Callin: You cannot tell by the dividends paid because they are paid largely out of surplus investments. The earnings of operation would not suffice to pay them.

Mr. Brown: Are you required to pay anything on your surplus?

Mr. Callin: No, we do not pay any tax on our surplus. The return here to the State shows that the personal prop-

erty in use in the business, by which is meant stocks and bonds of the company, amounts to about eight millions of dollars.

The Chairman: You don't want to say that the United States Express Company cannot give us a signed statement of their business in Pennsylvania?

Mr. Callin: We cannot get a precise account of the expense of doing business in the State.

The Chairman: Would it be possible for us to enter the United States Express Company's place and ascertain for ourselves?

Mr. Callin: Yes. We would be very glad if you could ascertain it. We have been trying to get a line on that for some time.

The Chairman: The Pennsylvania business is as profitable as any business that the company conducts, isn't it?

Mr. Callin: That is a matter for the company to determine.

The Chairman: Who would be the man to get that information from?

Mr. Callin: Mr. Edward Platt, the treasurer of the company.

The Chairman: Mr. Brown, will you kindly make a note of that name?

Mr. Brown: How do you fix the gross earnings for Pennsylvania?

Mr. Callin: Take the way bills and count the earnings as shown on the face of the way bills.

Mr. Brown: You don't make any comparison for the number of miles?

Mr. Callin: Do you mean the mileage proportion?

Mr. Brown: Yes.

Mr. Callin: No.

No further questions by the Committee.

MR. SAMUEL T. BODINE, First Vice President and General Manager, United Gas Improvement Company, called.

Mr. Bodine: Mr. Chairman and Gentlemen of the Commission:—In the notice I received requesting my presence here, you stated that it had been suggested to this Committee that the total value of the assets of corporations of the class the United Gas Improvement Company is in should be a basis or subject of State taxation and that real estate should be taxed locally.

That is exactly the state of affairs so far as we are concerned. We are taxed upon the market value of our stock for the year, which I think is a fair representation of the value of the assets. It is a larger value than we carry on our ledger.

This is subject to the following exemptions: Amount of capital invested in actual tangible property and real estate outside the State of Pennsylvania, amounting to about two millions of dollars; amount invested in patents necessary for the conduct of the business, about fifty thousand dollars; investment in the stock of other corporations of the State of Pennsylvania, about two million six hundred thousand dollars; invested in the Philadelphia Gas Works, about twenty millions of dollars—that is made up by the common stock of the Equitable Gas Light Company, three million two hundred thousand, and investment for betterment, in addition to that, seventeen millions, making the total of about twenty millions. That reverts to the city at the end of the lease, and we have to recover it out of the price of gas year by year.

So far as we are concerned, we are undoubtedly satisfied with the method of taxation, although there are one or two amendments in matters of detail that might be made.

The tax year in the State of Pennsylvania is a very awkward year. That was made, I believe, when the Legislature met in the middle of December, with the idea that they would have to have these reports to get the amounts available for appropriation. But most of the corporations, particularly since the Federal tax, have adopted the calendar year. It is impossible for us to give a report to the Auditor General when he asks us for our profits for the period covered, but if it was for the calendar year, we would be delighted to state that in detail.

There is another question which I think is important. It is a matter of contention between a representative of our company and the Auditor General; and that is, whether the market value of the stock should be taken as an average for the whole year or simply the market value during the first fifteen days of November. The Auditor General takes the point of view that whichever happens to be the higher figure is the figure for taxation, and we take the other view.

For 1909, our return would make our tax to the State three hundred and nine thousand five hundred dollars for the year. The Auditor General claims three hundred and eighteen or nineteen thousand. We paid the three hundred and nine thousand on account and submitted the other question to the Dauphin County Court for decision.

If you have any detail questions, Mr. Douthert, the secretary of the company, is here. He has charge of our taxation matters.

Mr. Brown: Why should a corporation that has investments in the stock or other corporations be relieved from paying a tax on these investments, because the other corporations pay a capital stock tax?

Mr. Bodine: Because it would be double taxation.

Mr. Brown: If I own a farm and have a mortgage on it, I pay a tax on the mortgage. If I borrow money from a trust company and am using that money in a dozen different ways, I pay a tax on all of it. Why should a cor-

poration be relieved of that tax? In other words, you have stock in a company that pays 10 per cent. That corporation pays a tax on its capital stock, and why should you be relieved from paying a tax on the 10 per cent. that you receive?

Mr. Bodine: If it was in the same State (in the State of Pennsylvania), it would be paying twice on the same property. I am only a layman, I am not a lawyer; but I have always been instructed by members of your profession that double taxation is unconstitutional.

Mr. Brown: What is your thought on taxing a corporation on its bonds, representing money on loan?

Mr. Bodine: I think that is exactly the same thing. That debt has to be paid.

Mr. Brown: But what it represents has gone into the corporation and the corporation has used?

Mr. Bodine: Yes; but that does not apply to us.

Mr. Brown: I am only asking you gentlemen, as you represent a large corporation. You speak of paying a local tax. Your company does not pay a local tax on operating plants?

Mr. Bodine: We pay taxes on a valuation of seven hundred and ninety-one thousand dollars in the City of Philadelphia.

Mr. Brown: In addition to the gas companies?

Mr. Bodine: They belong to the City of Philadelphia.

Mr. Brown: Any property independent of that belonging to the city?

Mr. Bodine: We have none outside of that belonging to the City of Philadelphia.

Mr. Brown: Any operating works of your own at all?

Mr. Bodine: No, sir.

Mr. Brown: So far as you know, do the operating plants of gas companies pay a tax on their real estate?

Mr. Bodine: They do not.

Mr. Brown: It has been suggested they should pay a tax on real estate and deduct from the valuation in the item of capital stock?

Mr. Bodine: Gas companies are manufacturing companies and I think they should be free from the tax.

Mr. Brown: Why should the manufacture of gas be exempted and the manufacture of electric light pay a tax?

Mr. Bodine: I think it has been held that the electric light companies are in a different class from the gas companies. I don't think there is any more reason why an electric light company should pay a tax than a gas company. I don't think the gas company should pay as large a tax as the electric light company, because they get a higher rate per unit of light than the gas companies, and they embark in business with the knowledge that they would be taxed and were able to regulate their prices accordingly.

Mr. Brown: Is there any reason why gas companies should not be included with the other manufacturing companies?

Mr. Bodine: I see no reason why they should not.

Mr. Brown: Do you think they should be included in the same class as electric light companies?

Mr. Bodine: No, I do not think they should.

Mr. Brown: You think they should be subject to a lower rate?

Mr. Bodine: Yes, for the reasons I have given.

Mr. Brown: In estimating the value of the capital stock of the companies owned by the United Gas Improvement Company, is your opinion that the real estate is valued at its fair valuation and so included in the capital stock?

Mr. Bodine: Yes.

Mr. Brown: You pay local tax on everything except what is used in the manufacture of gas?

Mr. Bodine: Now you are getting back to the United

Gas Improvement Company. The U. G. I. pays local taxes on all real estate it owns which is not used for the purposes of the Philadelphia Gas Works. They pay taxes on the building at Broad and Arch streets, assessed at seven hundred and twenty-five thousand dollars; the building at Broad and Tasker streets and one up in Kensington, which are leased to the Philadelphia Department for office purposes. They pay taxes on a certain portion of land in West Philadelphia which they had to buy in order to get that on which we built our new gas holder and distributing department. So much has gone into our report to the Controller of the City of Philadelphia. We pay taxes in Philadelphia of seven hundred and ninety-one thousand dollars on real estate; five mills tax on the capital stock, which amounts to three hundred and nine thousand five hundred dollars.

Mr. Brown: How do you get the estimate of your valuation, by sales of capital stock? Do you keep a record?

Mr. Bodine: Yes, from daily official reports of the Stock Exchange.

Mr. Brown: That you furnish the Auditor General?

Mr. Bodine: Yes, in the shape of an affidavit of myself as Vice President, and the Treasurer and Assistant Treasurer.

No further questions by the Committee.

Mr. Brown: We would be pleased to hear from Colonel Beath, President of the United Firemen's Insurance Company.

COLONEL ROBERT B. BEATH, President of the
United Firemen's Insurance Company:

Mr. Chairman and Gentlemen:—First, a word on behalf of my colleagues in the business, who have received the request of the Committee in regard to taxation.

Rather than enter into new and unknown measures of taxation we are satisfied with the present tax on the capital stock and on the premiums. It is, of course, understood that increased taxation must come from the insured in the matter of premiums.

We are prepared to give you any figures you may require, but I may say to the Counsel of the Committee that these figures can be found in the Insurance Commissioners' reports on file. They are easy of access and you have these for all the companies in the State of Pennsylvania, with the exact figures given in detailed reports made to the departments on the 31st day of December of each year.

Mr. Brown: What is your thought on the discrimination made against fire insurance companies? Mr. Fouse says that a discriminatory tax has militated against doing business in other States?

Mr. Beath: I do not understand Mr. Fouse's application on this as applied to fire companies. It would only affect us seriously if the tax on other State companies should be increased.

Mr. Brown: That is the retaliatory tax?

Mr. Beath: The so-called reciprocal tax. In other words, if you increase the tax on outside companies, it comes back at us by way of retaliation in about thirty

States of the Union, the principal ones being New York, Illinois and Massachusetts.

Mr. Brown: Do these thirty States include all in which the most of the insurance business is done?

Mr. Beath: Yes. Some of the others don't amount to much. Some years ago, on that account, the tax in Pennsylvania on outside companies was reduced from 3 per cent. to 2 per cent. I think I have the figures then prepared on this point.

Mr. Brown: Your thought is what? What should be the tax?

Mr. Beath: They should stand just where they are to-day. We should make our returns on the present well established basis. If you take the gross assets as a basis of taxation it would include the premiums outstanding, which would amount to hundreds of thousands of dollars in this State alone. Then the premium on stocks and bonds and accrued interests on stocks and bonds—these necessarily go into our assets and swell them to that extent. They are all available, coming in afterward. In order to get at that properly, you would have to take the report and eliminate these three items, and then you have the net assets of the company; but this will change year by year and month by month, you might say. This is easily measured by our business. When it comes to a question of assets, I think it would be bad policy to change the present system

Mr. Brown: As to foreign companies?

Mr. Beath: Yes.

Mr. Brown: You would put the tax on gross premiums and eliminate the capital stock tax?

Mr. Beath: That would apply only for the Pennsylvania companies, but how it would work out would require some figuring.

Mr. Brown: You have nothing to tax outside other than the premiums?

Mr. Beath: We have the capital stock tax valued by the Auditor General.

Mr. Brown: Isn't that more equitable?

Mr. Beath: Yes.

Mr. Brown: Have you any objection to talking with your interests in Pennsylvania to get the consensus of opinion on the subject?

Mr. Beath: I will be pleased to do so and report later.

Mr. Brown: Thank you.

No further question by the Committee.

Mr. Brown: We would be pleased to hear from Mr. Porter, of the American Fire Insurance Company.

MR. CLARENCE E. PORTER, President of the American Fire Insurance Company.

Mr. Chairman and Gentlemen of the Committee:—I think General Beath has pretty thoroughly covered the ground. One thought I would add, however, is that the more you burden us with tax, the more it will come back on the public.

Mr. Brown: Isn't that so with every tax, as a rule?

Mr. Porter: No, because we furnish an indemnity that effects commercial credit. In our line of business we stand good in case of public loss. If you increase your tax, then you will simply place it back on the public to pay for it.

Mr. Brown: Are you satisfied with the present laws?

Mr. Porter: I feel that you are taxing the companies at the present time on everything that is taxable. To increase the tax, taking into consideration the effect of the retaliatory laws, would make a tremendous burden on the Pennsylvania corporations.

Mr. Brown: I think Mr Fouse suggested we might increase on the local companies and reduce on the foreign companies; and the balance of the trade would be with the foreign companies.

Mr. Porter: Well, that would be a matter of competition. I don't know what things are, offhand.

Mr. Brown: If the present laws are harmful to the local companies there ought to be some remedy for it. Have you folks an association here?

Mr. Porter: No, except we meet from time to time in

Colonel Beath's office. We can get the officers together and talk over the matter. We will be very glad to co-operate with you, I am sure, in giving you any information you desire.

Mr. Brown: We would be very glad to have any information you can give.

Mr. Brown: We have the vice president of the Fidelity Trust Company with us. We shall be pleased to hear from him.

MR. WILLIAM GEST, Vice President of the Fidelity Trust Company.

Mr. Chairman and Gentlemen:—On receipt of the first communication from this Committee, our company addressed a letter to this Committee, which stated as fully as necessary the position of the company as to the present taxation. I have the letter here and will read it if you desire.

Mr. Brown: Mr. Gest, what was the amount of deposits of the Fidelity Trust Company for 1909?

Mr. Gest: I cannot tell you. The present amount of deposits is twenty-seven millions. That is probably somewhat above the average.

Mr. Brown: What proportion of that amount bears interest?

Mr. Gest: I guess almost all.

Mr. Brown: All bearing interest at what rate?

Mr. Gest: Some, almost all, at 2 per cent.; some, possibly at 3 per cent.

Mr. Brown: What proportion of that, in your opinion, pays tax to the Commonwealth; I mean on which the tax is paid by the depositor?

Mr. Gest: I am only speaking for the company as far as the law goes; anything else I may say is my own opinion. I do not know how much of this deposit pays a tax.

Mr. Brown: Can you make an approximation?

Mr. Gest: No. Do you mean whether the depositors return it?

Mr. Brown: Yes.

Mr. Gest: I have no way to know whether any depositors make any returns or not.

Mr. Brown: We are preparing a table showing the total amount of wealth and the total amount returned for taxation. I was told by the president of a trust company that this was not returned for taxation?

Mr. Gest: I believe it is a general rule. It is generally regarded that they are not included in that tax—that that tax is intended to catch investments. Of course, these deposits are fluctuating and it would not be right to return them for the whole year, when they would be there for a year and maybe only for a day. These deposits often represent money used in the course of business and money withdrawn for investment, and if you tax these deposits for the whole year, and then tax the investments into which they find their way, it will be unjust.

Mr. Brown: The man who gets 2 per cent. pays the same tax as a man who gets 3, 4, 5, 6 or 7. It has been suggested that you make a tax on the amount of interest paid?

Mr. Gest: My own personal thought is that such a law would be subject to the same objections that would be brought against an income tax.

Mr. Brown: What do you think of a law requiring the treasurer of a trust company to pay a return to the Commonwealth as a tax on the interest the company has paid to its depositors?

Mr. Gest: You didn't put that question. I thought you meant requiring the individual to make the return. If you make the trust company or depository the agent of the Commonwealth you will be involved in a number of difficulties, and it would most certainly result in a very large withdrawal of money.

Mr. Brown: Where would that go to?

Mr. Gest: New York or Camden. A great amount, in my opinion, would go to New York. Certainly a great

corporation which puts its money at interest would rather go to New York where there is no tax, than here where there is a tax. A great many of these large corporations have deposits in both places, and there is no doubt that should there be a tax of this kind our share of the deposits would be withdrawn. I think such a tax as that is impractical.

Mr. Brown: How about moneys evidenced by certificate of deposit issued by the company?

Mr. Gest: I think he should return it as money at interest.

Mr. Brown: Suppose he does not return it? Why not have the company return it and pay it for him?

Mr. Gest: Because they are temporary certificates. In Philadelphia there are not very many of them issued. Our company has no certificates of deposit outstanding whatever, and we haven't issued any for some time.

Mr. Brown: There has been considerable criticism along these lines as we have gone around the State. We have been told that there is ten millions of dollars in Lancaster county trust companies on which no return is made for taxation?

Mr. Gest: A tax on moneys at interest or on income will always be evaded by unscrupulous people. It is inherent and will never be obviated.

Mr. Brown: How does the Fidelity Company fix the value of its stock?

Mr. Gest: We return under the Act of 1909, in which the tax is based upon the value of the capital stock, surplus and undivided profits.

Mr. Brown: How is the real estate valued in that?

Mr. Gest: The real estate is included in the general assets and therefore results in double taxation on that.

Mr. Brown: The real estate is, of course, included in that valuation?

Mr. Gest: Yes.

Mr. Brown: Is that valuation revised in any way by the Commonwealth, or is the valuation taken as final?

Mr. Gest: I don't know how far they have revised it. They have the right to revise it.

Mr. Brown: How would it be to tax your property locally and deduct that as an item in the valuation of the capital stock?

Mr. Gest: I think that would be an entirely just reduction.

Mr. Brown: You see no reason why they should not be taxed locally, provided that deduction is made?

Mr. Gest: No.

No further questions by the Committee.

MR. EDWARD SYDENHAM PAGE, Secretary of the
Girard Trust Company, called.

Mr. Brown: Have you any suggestions to make to the Committee as to a tax on trust companies, banks, saving institutions, etc.?

Mr. Page: No. I think I agree with what Mr. Gest has said. I think what we want is some positive basis as we have now—the book value of the stock—capital, surplus and undivided profits. In our mind, to tax the total assets would take in the deposits, which, in view of the fact that they are not under our supervision, are likely to be drawn out at any time. If the tax on these is made, we may be called upon to pay a tax largely in excess of what we are getting the use of.

Mr. Brown: How do you fix the value of your real estate?

Mr. Page: Generally speaking, our real estate is on our books at its assessed valuation.

Mr. Brown: City assessment?

Mr. Page: Yes.

Mr. Brown: What proportion is that in comparison with the real value? Take your new building, for instance?

Mr. Page: The property is assessed at two millions and a half. That doesn't take in the cost of the building itself. That is charged off as we built the building.

Mr. Brown: Take your building—what is the total value of your property there at Broad and Chestnut to-day—at the last time you made the return?

Mr. Page: What, the stone building?

Mr. Brown: Yes. Have you your last return to the Commonwealth?

Mr. Page: Yes.

Mr. Brown: May I see it? (looking over return). I notice your building is returned February 18, 1910, real estate at two millions eight hundred and ninety-six thousand five hundred and forty-six dollars. What real estate does that cover?

Mr. Page: That covers our property Broad and Chestnut and also certain properties we have foreclosed on mortgages that go back over twenty-five years ago.

Mr. Brown: Can you give us any idea as to the real value of that property?

Mr. Page: I can give you an idea of that at Broad and Chestnut. The ground cost in the neighborhood of two and a half millions of dollars and we put the building there, costing a million and a half of dollars.

Mr. Brown: That is four millions?

Mr. Page: Yes.

Mr. Brown: What is the real value of that corner?

Mr. Page: It depends on what you want to——

Mr. Brown: What you carry on your books?

Mr. Page: At its assessed valuation?

Mr. Brown: The building itself as profit and loss?

Mr. Page: Yes. In making our return to the State we take the valuation as shown on our books.

Mr. Brown: Why don't you include the total value of the property? Why don't you return to the State the total value of that property, instead of returning the land less the buildings?

Mr. Page: In the judgment of our board, they don't think it a tangible asset. If the Girard Trust Company got into difficulties and wanted to realize on the building, there would be no buyer for it. It is more or less ornamental.

Mr. Brown: Wouldn't that apply to almost any other building? For instance, John Wanamaker's building?

Mr. Page: John Wanamaker is an individual, and here, we are taking care of the depositors and stockholders.

Mr. Brown: You are doing that for profit the same as John Wanamaker is selling goods for a profit?

Mr. Page: Yes.

Mr. Brown: If the real estate of corporations now included in the capital stock was taxed locally it would be taxed for a higher sum and the counties that get the money would get a higher sum out of it—the counties would get an additional benefit?

Mr. Page: I understand what you say, but I don't think that is possible. The City of Philadelphia—does it not assess its tax for the county's use?

Mr. Brown: Yes.

Mr. Page: And if they thought that property was not a fair valuation at two and a half millions after the real estate tax was deducted from the State tax (the capital stock tax) they would increase our——

Mr. Brown: But it is not assessed as high as it ought to be, because it is taken into consideration with numerous other items, whereas, if separated, it would be its full value. In other words, in Philadelphia they would get the benefit of five millions of dollars and the State would lose the tax on the two million eight hundred and ninety-six thousand.

Mr. Page: That is something we would not like to consider. The company in making returns, make the returns on its book values, taking the price of its securities and real estate at which it is carried on its books. In other words, if we bought a bond at one thousand dollars, we would return it at that. We don't re-appraise it. We just take our values which we think are approximate. We don't mark it up or mark it down—except in 1907, when we marked down quite extensively. Therefore, these returns show our book value, based on the book value of our securities.

We consider the building at Broad and Chestnut as more or less monumental in character, and while it cost quite considerable amount of money, we couldn't realize

that amount on it. In view of the fact that we are returning our book value, all we can do is to take the figures that our assets represent, and add them together.

Mr. Brown: I wish you would give us your thought on whether or not it would be practical to levy a tax on the gross receipts and eliminate the capital stock; whether or not it would be a practical method for the Commonwealth of Pennsylvania to levy a tax on the gross receipts on companies such as yours. Mr. Gest, I would like you to give that some thought, too. Of course, I don't want your answer now. (Addressing Mr. Page): Do the trust companies have an association in Pennsylvania?

Mr. Page: No.

Mr. Brown: You get together, don't you?

Mr. Page: Yes. The tax used to be based on the earnings. The book value you don't seem to think is the right way?

Mr. Brown: Any question I ask here is simply from suggestions made throughout the State by others.

Mr. Page: To me, the book value is a very fair way to get at it. If the books of companies were regulated, the stockholders would get book value.

Mr. Brown: If you sold your building at Broad and Chestnut, the stockholders would get their share of the four millions and not the two millions, which is its value on the books?

Mr. Page: Yes.

Mr. Brown: What is your thought of the treasurer of your company being made the agent of the State to return the tax on moneys at interest?

Mr. Page: My thought is that it is not a good thing.

Mr. Brown: Why do you think these moneys should not bear their share of the tax?

Mr. Page: Because I don't consider a depositor as having money at interest.

Mr. Brown: What is the difference between a man who deposits money in your company and gets 3 per cent. and a man who owns a Government bond and gets 3 per cent.?

Mr. Page: Unless it is some special arrangement he gets 2 per cent.

Mr. Brown: The average depositor?

Mr. Page: Yes.

Mr. Brown: Why shouldn't that money bear its share of the tax the same as any other interest money?

Mr. Page: Well, simply upon the theory that it is income.

Mr. Brown: All interest is income.

Mr. Page: You would then be taxing income.

Mr. Brown: Isn't all interest income?

Mr. Page: Not the amount on deposit. The amount on deposit largely represents income. If you are going to tax a deposit that is made up of income, then you have an income tax.

Mr. Brown: Why shouldn't moneys received by me, for instance, coming from an income, pay a tax just as much as from somebody else who has loaned money to somebody else and gets the interest?

Mr. Page: Because I think the loan is a fixed investment.

Mr. Brown: Isn't the income he gets from the trust company a great deal more certain than anything he would get from some solvent debtor where he might have to sue to recover?

Mr. Page: If a man chooses to leave his income on deposit in the trust company, he will get 2 per cent. But, on the other hand, he may take it out any moment if he wants to use it. I think if they are going to be taxed on their deposits, a great many of the people would not bother about making a return and would put their money in a national bank, which does not pay interest on the deposits.

Mr. Brown: Are there many that don't pay interest on deposits?

Mr. Page: I don't know that. I was just throwing out that idea. There are a great many individuals that bank in the national banks, because they are accommodated in other ways than getting interest. I should think that might be a means of shifting the deposits without gaining anything for the State.

Mr. Brown: How about the time of return? Is that satisfactory to your company?

Mr. Page: Yes.

Mr. Brown: You pay prior to the 1st of March and get the benefit of that?

Mr. Page: Yes.

Mr. McNichol: As your association has taken up the question as to the revision of the system for the betterment of conditions—have you given it any thought in the last few years, as to whether you are carrying sufficient burden in the way of payments to the State, or whether there should be some correction in the laws, in your opinion, wherein you would have a more equal distribution than now exists?

Mr. Page: We feel that we are taxed sufficiently. I mean our capital stock tax of fifty thousand and our real estate tax of some thirty-five or forty thousand. I think that is quite an amount to pay in taxes.

Mr. McNichol. You men are in a position to aid the Legislature in revising or equalizing the burden. A great many people believe they are unduly or unjustly taxed. People in your atmosphere believe the same way. We find that the man who is paying rent is being taxed unjustly to the extent that those who are doing a large business are only paying a small proportionate share of the burden. The time is coming when these things have to be corrected, and it is from you gentlemen that the Legislature looks for information which will enable them to bring about satisfactory results.

Mr. Brown: Take your company, for instance; what dividend did your company pay in 1909?

Mr. Page: They paid 30 per cent.

Mr. Brown: 30 per cent. dividend?

Mr. Page: We raised our dividend on July 1, 1909, up to 30 per cent.

Mr. Brown: You paid 30 per cent. for the year?

Mr. Page: Yes.

Mr. Brown: Assuming that the State of Pennsylvania needs more money for roads, needs more money for her public schools and other public utilities—assuming she needs that, we would like to have a thought from you gentlemen as to whether or not there should not be some contribution from such companies towards making up the sufficient sum?

Mr. Page: In the way of taxes?

Mr. Brown: Yes, by additional taxation.

Mr. Page: We are assessed a State tax to take care of the roads and streets.

Mr. Brown: I am speaking about building public highways and State roads and public schools, which is a State institution. We would like to have a thought from you gentlemen as to whether or not you should not help, and if not, why not. If you have an association in this city in which all the institutions are represented, we should like to have the consensus of thought upon it.

Mr. McNichol: We have got to pass upon the question of an income tax, that question that has occupied the thought and mind of the people for years. Don't you think it is up to you gentlemen to help the Commonwealth by furnishing such information and suggestions as you can?

Mr. Page: I think it would be a good thing. If our company can be a help to you, I know they will be glad to assist you.

Mr. McNichol: We would like to have these suggestions from men who come in contact with that particular line of work. We want to be fair to everybody and we want to get the best suggestions possible.

Mr. Brown: Will you be on hand tomorrow, please, Mr. Page?

Mr. Page: Someone from our company will be present.

MR. T. M. DALY, President of the Continental Title and Trust Company, called.

Mr. Brown: Mr. Daly, have you any suggestions to make to this Committee as to the present system of taxation? If so, we would be glad to have you make them.

Mr. Daly: Well, we were complaining some years ago because the companies were taxed on the selling value or market value of their stock, and it was the consensus of opinion that that was a very unfair standard. It meant in some cases that the stock was above par and in other cases the sales were below the book value, because people had some doubts as to the future earning capacity of that particular company.

I remember one year, when there were very few shares of our stock offered for sale, and when a small lot was offered a man who wanted to piece out his holdings, he bought it at a figure in excess of the market value. That man for that year determined the assessable value of our assets for the purpose of taxation.

Mr. McNichol: He was figuring on the future?

Mr. Daly: Yes; and he was one man against a hundred. We were entirely at the mercy of the one man for that year's taxes.

Mr. McNichol: You are figuring on the book value?

Mr. Daly: Yes. The bankers and business men interested in the business appealed to the Legislature because this plan of assessing became burdensome and oppressive. As I say, they appealed to the Legislature and there was a conference, which resulted in the book value being accepted as the proper standard for assessment. That is the standard today, and it is the proper standard.

Mr. Brown: What about real estate——

Mr. Daly: There has been some question suggested as to the undervaluation of real estate.

Mr. Brown: Or the undervaluation of any other estate?

Mr. Daly: That is fully answered by the fact that a man going to a national bank in order to borrow to the utmost of his ability will hardly be accused of underestimating his assets, but he will probably state everything he has in order to get as full a value as he can.

So, with a trust company, it would be manifestly to its interest to make as good a showing as possible, because the public is usually influenced by the strength of a company based upon its capital and surplus.

I think it is fair to assume that every company put in that position would put its best foot forward in the swelling of its assets and would not undervalue any of its assets.

Mr. McNichol: What is the dividend paid to your stockholders.

Mr. Daly: Six per cent. on the money paid in.

Mr. McNichol: How about surplus?

Mr. Daly: Our capital paid in is five hundred thousand dollars and we are a few dollars short of three hundred thousand. Our stock is selling at forty-seven and forty-eight.

Mr. McNichol: How many years organized?

Mr. Daly: Twelve years organized. That money has been earned. We started in with no surplus, and what we have done since has been earned. That is why I think that the present method of valuing is a fair one.

As to the question of valuing real estate separately, as suggested by Mr. Brown—take our own particular case, for instance. We carried for some time some real estate which was valued by the city at probably one-quarter of what we valued it on our books. We finally sold it at our own value. Now, if that were taken at the city valuation, the returns to the State would be much less than the valua-

tion based on our book value. So, if you are going to value the real estate separately, you may gain and you may lose.

Mr. Brown: The suggestion is this: As the item of real estate now is not given serious consideration by the State authorities in the value of the capital stock, it would be in the future if it was assessed by the local authorities locally?

Mr. Daly: I doubt if there is very much difference. That would involve another point, and that is, how would encumbered real estate be valued? Trust companies are usually unwilling owners of real estate except that needed for their offices, and when they get it encumbered it would not be fair to disregard the encumbrances in assessing State taxes. Take, for example, a hundred thousand dollar property subject to a fifty thousand dollar mortgage?

Mr. Brown: That is not carried as one hundred thousand dollars worth of real estate with fifty thousand dollars against it?

Mr. Daly: That would be carried on the books at fifty thousand dollars.

Mr. Brown: The contention is that if that one hundred thousand were taxed locally, it would be taxed at one hundred thousand, and there would be no rebate for the fifty thousand?

Mr. Daly: You would increase our burden by this method. Of course, there are various plans that could be adopted which would be fair, and all that we ask is a fair plan.

Mr. Brown: The contention is that the one hundred thousand should be taxed just the same as one hundred thousand dollars that any other person has, whereas, in the value of the capital stock, it is assessed at fifty thousand. Why shouldn't the "A" trust company pay the same tax as I pay?

Mr. Daly: You don't pay a State tax on your property—

Mr. McNichol: If I engage in business, I have to pay a tax. You are taking the question of separating your individual ownership, and denying the right, in the management of your business, of the State to tax, and that you should bear an equal burden. The argument is as to the individual payment of taxation. That is the thing we have got to unravel?

Mr. Daly: If you are taxing a business, there is some system of taxation for that. We are not saying the State has not a right to tax, but the question is as to the fairness of the method to be adopted. A company having only 40 per cent. equity in real estate should not pay State taxes on that real estate on a 100 per cent. basis of valuation. We are doing business on capital stock, assets and earnings. Tax us what is fair on these. If we own 40 per cent. of real estate and somebody else owns 60 per cent. of it, and you charge us with 100 per cent., that will be a burden.

By a Member of the Committee: Most of the real estate held by trust companies, outside of their office buildings, are sort of unwilling assets?

Mr. Daly: Yes; the most of it we are obliged to take in business transactions, that come to us loaded with encumbrances.

By a Member of the Committee: To avoid these troubles, what would be your view in regard to putting the trust companies under gross income tax, rather than book value?

Mr. Daly: I don't know. I don't think that would be fair either. If any income is to be taxed in the business, it should be the net income. The amount of money you are obliged to pay out——

By a Member of the Committee: It is the same as the running expenses of any other business, isn't it?

Mr. Daly: A banking company is somewhat different from other businesses. On the money you take in deposit, you are asked to pay interest. We have to pay 2 per cent.

on check accounts and 3 per cent. on ten-day accounts. This is about the most we can do consistent with good banking methods. Some of the saving funds have raised their percentage to three sixty-five. I don't know whether or not any of the trust companies tried to follow their example, but a great bulk of the well-managed trust companies would prefer a loss of deposits and a loss of business rather than do anything that would have an injurious effect on the business.

Mr. Brown: Why should they be favored over any other taxpayers?

Mr. Daly: Taxation, as I say, should not be burdensome. Every company should contribute a fair share. Take the case Mr. Gest mentioned about deposits going to another city. I know of a case of a woman who went between New York and Philadelphia, and who made an investment here and lived here for a while. She had a twenty thousand dollar mortgage here. She said she didn't think she would stay here because she would have to pay a State tax. She said she would go to New York to live and make her home there.

Mr. McNichol: Is it not true that 85 per cent. of the money in Philadelphia is sent over to New York, anyhow?

Mr. Daly: I cannot say that.

Mr. McNichol: Do you know if any part of your company's money is sent over there for investment?

Mr. Daly: No, we sent no money there.

Mr. McNichol: It is a general belief that big money was made in New York for the past ten years on account of the big demand for large amounts of money?

Mr. Daly: I don't think in that time we have sent any money at all over there. We have been able to invest our money here.

Mr. McNichol: But this has been done?

Mr. Daly: Yes.

Mr. McNichol: Is it a fact that taxation drives out investors?

Mr. Daly: Yes, and a general depression of business. There was a time when you couldn't give money away, and in New York, at that time, they were willing to pay a fair return.

Mr. Brown: Let us have your thought on companies that pay high rates of dividend. Shouldn't they be taxed on the gross receipts?

Mr. Daly: The net income would be fairer.

Mr. Brown: Why not gross receipts. The operating expenses are the same. Wouldn't it reach these companies that pay 20 and 25 per cent. dividend, to make them pay proportionately with the companies that pay, say 6 per cent.?

Mr. Daly: No, sir; for you would not get the same result. I think the fairer way would be the net income.

Mr. Brown: That would involve a whole lot of figuring, and sending a man to your company to go into your affairs?

Mr. Daly: You would have to do that to get the gross income. You would have to go into our affairs and see what our receipts were from each particular source.

Mr. Brown: The Commonwealth would have to pass upon whether you had too many clerks, or whether this was fair, or that was unfair——

Mr. Daly: In other words, the accounting officer would say, "You are not running this business right. John Brown is doing a great deal more business than you are and in a better way." And then you are getting into the inquisitorial. I think the net income represents the very best judgment and the very best knowledge of those in charge of the company.

Mr. McNichol: Can you enlighten this Committee as to a comparison of the laws of this State and the laws of New York?

Mr. Daly: I don't think they tax deposits in New York. I think that non-residents investing money here in mortgages and things of that kind should pay the same tax that residents do. I do believe there are some people who loan money here, and by living outside of the State escape the taxation. Then, another example shows the danger of legislating against the non-resident. In Jersey, it is a difficult matter to foreclose a mortgage. I had a mortgage down there in the hands of one of the ex-Judges, and it took six or eight months to foreclose. The same thing could be done here in probably three months. In speaking of the matter, I was told that this slow procedure was for the benefit of the debtor, and as most of the lenders were non-residents, the Legislature did not favor them. That condition made it difficult to get outside money for New Jersey mortgages. In the particular case I have in mind, the debtor was for several months trying to place the mortgage. You can go to Atlantic City to-day and get 6 per cent. without any trouble for money on good mortgages.

Mr. Brown: You think there should be some short-cut for collection?

Mr. Daly: I am speaking of people outside the State, and of the danger of drastic legislation against them.

Mr. McNichol: Is your company engaged in the surety business, Mr. Daly?

Mr. Daly: No, we are not doing a surety business regularly, and what business we are doing is going security for persons, acting in a fiduciary capacity, and in these cases moneys must be deposited with us. We take no risks whatever.

W. U. HENSEL, of the Lancaster Trust Co.,
Lancaster, Pa., called.

Mr. Brown: Mr. Hensel, we would be pleased to hear any suggestions you may desire to make to the Committee.

Mr. Hensel: I think as far as the Lancaster Trust Co. is concerned, we are satisfied with the present method of taxation; but, before going into that, I would like to say to the members of this Commission, with all due deference, that they are misinformed when they are told that there are ten millions of dollars on certificates of deposit in Lancaster banks that go untaxed.

Mr. Brown: Mr. Eschelmann said this, I believe, at one of our meetings in Philadelphia.

Mr. W. H. Keller: We pay no interest on certificates subject to check. The only interest we pay is on the certificates of deposit, and the whole issue of these in all the trust companies does not amount to ten millions of dollars; and a great proportion of the certificates out are returned for taxation. The assessors in the different townships have gone to every person and asked them if they had certificates of deposit, and the proportion is considerably over 50 per cent. that are returned for taxation. We pay 4 per cent. on certificates of deposits left with us for a year; for six months, we pay 3 per cent. Some pay only $3\frac{1}{2}$ for a year and these investments are regarded as permanent investments and a great proportion are returned for taxation.

Mr. Brown: You don't pay on two weeks' notice?

Mr. Keller: In trust companies I know if the deposit is drawn out at the expiration of the certificate, they pay the interest earned at the termination of the certificate.

Mr. Brown: Is there any rule for that in Lancaster as distinguished from any other city?

Mr. Keller: It seems to be the practice there.

Mr. Brown: Is there any reason why you should not pay a tax on your real estate?

Mr. Keller: We pay a tax on our real estate. Our real estate is carried on our books at what it cost, which is approximately what it is worth. We pay local tax on that in the valuation of our capital stock.

Mr. Brown: Have you any suggestions to make to the Committee as to any amendments to the present laws?

Mr. Keller: None, except I think we all feel—all the trust companies feel—that it would be a great injustice to tax the gross income or the net income either. Again, we do not all operate our institutions for the same cost, and as long as the running charges are not the same, it seems to me a gross income tax would be an unequal method of taxing these institutions. I would think the present method of taxing the value of the stock would be the most satisfactory and equitable way of getting at it.

Mr. Brown: Has any of the Committee any further questions to ask Mr. Keller?

No further questions asked by the Committee.

MR. HENSEL, of the Lancaster Trust Company, called.

Mr. Hensel: I think the stock of trust companies ought to be taxed on just what it is worth in the hands of its holders. It certainly ought to tax its debts.

Mr. Brown: You are satisfied with the present laws?

Mr. Hensel: I think the present law is a very good one in that respect.

JAMES AYLWARD DEVELIN, President of the Mortgage Trust Company, Philadelphia, called.

Mr. Develin: I do not know that it is practically worth while for me to go into the special business, the nature of the business of the Mortgage Trust Company, which it is specially engaged in. So far as I know there are only two companies engaged in the special business of selling or issuing debenture bonds that are secured by mortgage.

Most of the companies have been obliged to take real estate outside of the State, which we think ought not to be taxed in our capital stock.

Mr. Brown: You are satisfied with the present laws?

Mr. Develin: I was satisfied better with the old law. I thought that the valuation, which was ascertained partly by the market price of the stock, was the better way to get at it than the book value, as under the present law, because I thought that introduced the element of ability to pay the tax; that net income was affected in that way, because the market value of the stock fluctuated largely, according to the profits of the company, and that in turn decided or determined to a certain extent at least the ability of the company to pay the tax. In the case of our company we felt the hardship of the book value method, because we owned a large amount of real estate situated outside of the State, and which was of very uncertain value. Whether or not the present law is the best method of determining generally, I am not prepared to say. Perhaps it is, but in my own case and in the case of companies engaged in a similar business, I think, in fact, it is a hardship. We also pay a tax upon our debentures, and I think, but I am not sure of this, that the companies who do not issue debentures, but do practically

the same business, escape taxation. I am not sure about that.

Mr. Brown: They ought to be included in the same class with you?

Mr. Develin: Yes. Well, I do not say that. I do not want to bring that burden upon anybody else, but that we are better satisfied with the old law, and for that reason we made an attack—it was our company, I believe, whose name was used in the attack upon the Act of 1907, which changed the basis of taxation, although perhaps they were one of the smallest concerns.

WM. H. KINGSLEY, representing the Penn Mutual Life Insurance Company, called.

Mr. Kingsley: Mr. Chairman and Gentlemen:—I am not going to take very much of your time this morning. Since I have been listening to all that has been said, I believe that our grievance is monumental. I have learned a good deal about taxation, and a great deal of the taxation as related to the condition under which the capital stock of these companies is fixed, and objection has been raised to that system. The Penn Mutual Life Insurance Company stands almost alone as a company, having no capital stock. It operates its business solely on a mutual basis. Its so-called assets to the extent of 95 per cent. of their amount are in reality liabilities. They are trust obligations that are being held for two or three hundred thousand people all over the country, returnable to them in the event of death and in the event of a lapse of time, and withdrawable almost as bank balances or any deposit may be. It has been argued that some relief should be afforded the companies who are forced to pay on the average market value of their stock during the year just preceding the levy. I would like for a moment to point out what happens to us, because we have no capital stock on which to pay dividends. We are obliged to pay a four mill tax on our entire taxable assets. Other companies in the same line of business, having a capital, received the benefits of the method of taxation, and we are placed to a disadvantage which last year resulted in our company paying more money for taxation than its entire administration expenses. We do not consider it an equitable basis, and we believe the attorney for the Committee was in error when he said the Pennsylvania Railroad Company was the largest taxpayer in Pennsylvania, because we think we have that distinction in so far as it relates

to the four mill tax, and we do not want to be selfish and hold it any longer. We would like very much indeed to have some relief from the position in which we are placed. I think there is one other company you referred to this morning, the Fidelity, which, in a measure, is in the same class, but in being a larger company it does not suffer quite so much. It appears to us that we have been taxed from every possible angle. In the first place, the premium is ascertained when its amount is ascertained when the policy is issued; we are immediately taxed eight mills. The next day that premium is transferred into an investment, in order to carry out the terms of the policy, and that is taxed four mills as a personal possession. Then along comes the Insurance Company of the State which supervises us, which is entirely proper, and which was the purpose for which taxes were originally collected from insurance companies, and we pay for that supervision. They then value our policies at the rate of one-half cent per thousand dollars. So, as I stated before, our taxes last year were one hundred and thirty-seven dollars more than our entire administration expenses.

Member of the Committee: What was your total tax?

Mr. Kingsley: Our total tax paid was \$520,777.

A Member of the Committee: How does that compare with the tax on similar companies in other States?

Mr. Kingsley: It is very much more heavy and burdensome and the rate of tax imposed by other States upon insurance companies, even where it is lower than Pennsylvania, has been recently lessened, because they have appreciated the power and force of the argument that has been made against tax levy on insurance companies. We accumulate money for the benefit of a man who can withdraw it, and perform a greater function than a saving fund, because we have the element of life insurance, and we feel there should certainly be no discrimination as between a Mutual Life Insurance Company and a fraternal

organization, which does not serve its members as well as the old line life insurance companies or saving funds, in that it only returns the money which is deposited——

A Member of the Committee: Neither of which is taxed.

Mr. Kingsley: Neither of which is taxed. This is a subject which has been before the members of the insurance fraternity for some years, and organizations have gone back to the original belief that the purpose of taxing insurance companies is to provide funds for its supervision. We have gone somewhat into statistics, and we find that a drug store doing a business of \$64,000 a year, pays a tax of \$91. Our tax on \$64,000 a year business is \$1,280. A grocery store doing a business of \$61,800 pays a tax of \$70.00, and we pay a tax of \$1,239. A retail drug store doing a business of \$342,000, pays \$639, and we pay \$6,840 on the same amount of business, and a wholesale implement house doing a business of \$464,000 pays \$283, and we pay \$9,280. We realize the fact that insurance companies, in common with all other beneficiaries of the State's protection, should pay a fair proportion of the expenses of the Government, both local and State, but I think you gentlemen must agree that in comparing the situation of a mutual company with that of a stock company there is a great injustice and burden placed upon the mutual company, for which it is very desirable to seek relief. Of course, we try to think out the remedy. We are not tax dodgers. We have already done our share, and we feel a great deal more than our share, in contributing to tax revenue, but we believe that if the mutual life insurance companies were taxed upon their surplus, you would come nearer having an equitable basis than under the present system, and in that way perhaps bring about an anomalous position with the stock company, because it is the surplus accumulated by the company which gives market value to its stock. It is all net profit. It is the surplus alone which reflects the value of the stock in the market, and in that way you could perhaps take the

surplus of a mutual life insurance company and regard it in the same light you would the market value of a stock company, and tax it on that basis.

Mr. Brown: Do you carry a surplus in addition to your reserve? Do you make a distinction between them?

Mr. Kingsley: We carry both. Our reserve is made by the laws of the State. They require us to maintain a reserve, say $3\frac{1}{2}$ per cent. If we earn 4 per cent. we pay a four-mill tax, which is equivalent to one-tenth of 1 per cent. If you have any considerable number of investments of that sort, you haven't enough margin to properly conduct your business.

Mr. McNichol: Have you made any attempts to remedy the condition?

Mr. Kingsley: Without being offensive to the Legislature, we have spoken to some of the members, and they have always said it was a condition which should be looked into and should be remedied, and we pinned our faith to that, and in the meantime have paid our tax under protest, to protect what we thought was our position, in the event of the Legislature taking proper action.

Mr. Brown: Mr. Foust addressed the Committee on this subject several weeks ago, and he seemed to share the same opinion.

Mr. Kingsley: I have not consulted Mr. Foust about it. In fact, I did not know he had been before the Committee. While it won't disturb the revenue of the State, at the same time you want equity, and there are not many mutual life insurance companies in the State, and the other States do not treat them as we are treated in Pennsylvania.

Mr. Brown: How about the tax on foreign insurance companies?

Mr. Kingsley: You are coming to the point of premium collections. We have the same retaliatory law which they mildly call a reciprocal law, where as we tax so will they tax.

Mr. Brown: Is that beneficial to our home companies?

Mr. Kingsley: Well, we would have to study that out. I would not want to answer that off-hand.

Mr. Brown: I always thought it was.

Mr. Kingsley: I believe it would be, and we believe the support from the insurance companies should come from that direction, from the collection of premiums, from the vitals of the business, rather than the residuum. We are compelled to maintain the reserve which you spoke of a little while ago, and we are merely custodians of those funds, and they change every day and pass out into the hands of those for whose benefit they are accumulated, just as the deposit of a bank would be.

FRANK R. SHATTUCK, representing the Postal Telegraph Company, called.

Mr. Shattuck: I came here on behalf of the Postal Telegraph Company, which received itself and through these numerous light companies a great many requests—they are all along the line that has been mentioned here—as to whether or not the tax ought to be on the actual value of the property. I have had considerable experience in looking into the returns and making them for the Postal Company and others, and I am emphatically in favor of the present situation. Of course, in any method of fixing the tax on capital stock, the judgment of individuals must come into play, but where you get the actual figures of the gross income and expenses and other figures which go to make market value, you can do it better with those figures than if the judgment of people was passed upon the value of a telegraph line. It is almost impossible actually to fix what its value is. Good will enters into it; whether or not you have paid damages as an additional servitude, and it has been held in our Superior and Supreme Courts that you can institute such proceedings at any time if the property has not been condemned actually. By reason of these decisions it is an existing liability really. But rights-of-way and the right to go into the highway, which exists, I take it, upon the part of companies which have accepted the Post-roads Act of Congress, and not upon the part of those who have not, to the same extent, you could not properly value a telegraph line. And the way it was originally constructed is a great factor when you take depreciation into consideration. Different companies desire different kinds of wire and will equip it more expensively than others. Telephone lines would come within the same definition. It is my judgment that there would be trouble existing between the taxing officers and the

companies, and more dissatisfaction than exists now, if the tax was levied on the value of a telegraph or telephone line. The present system is working very well, I think. There is very little trouble in regard to it. The stock is fixed at the market value, just the same as stock of other corporations, taking all the factors into consideration that they have to report upon. I do not know of any dissatisfaction on the part of any of the companies in regard to the present system.

Mr. McNichol: Would it be possible for the telegraph companies to consider paying an additional tax?

Mr. Shattuck: Well, frankly speaking, I do not think the telegraph and telephone companies are over-taxed by the State. I am opposed to the numerous methods indulged in by cities and boroughs and first-class townships all over the State. I do not really conceive they are over-taxed. They might stand some more.

Mr. Brown: What is the dividend of the Postal Telegraph Company, say for the past year?

Mr. Shattuck: You see, I cannot answer those questions, for the reason that there is no Postal Telegraph stock in the market, and there is no American District Telegraph Stock in the market; there is no Commercial Telegraph stock in the market, or any stock of any corporation which is generally known as a Postal Telegraph or a Commercial Cable Company. All of that stock is held by the Mackey Companies of Boston, which also hold the stocks of a great many other corporations. It is only within the last six months that it has sold ten millions of dollars worth of American Telegraph and Telephone Company, the Bell parent company. That Mackey Company owns a great many corporation stocks, and it owns practically all of the stocks of these companies, and they are known as Postal Companies, Commercial Cable Companies, Pacific, and others.

Mr. Brown: Would a tax on intra state messages be objectionable, and if such a tax were levied, would it be added to the tax on the customers?

Mr. Shattuck: I do not think you possess the power to levy a tax on inter state messages, because a telegraph message has been held to be inter-state commerce.

Mr. Brown: I say intra state. I say what would be the objection to a tax on messages within the State, and if such a tax were levied, would it be added to the charge to the customer?

Mr. Shattuck: Well, the objection to levying a tax is the same one every man has. He hates to pay any tax. He does not amble forward and ask to pay the tax. Whether or not it would be added to the message, I do not know.

Mr. Brown: Do you recall that there was a bill in the last Legislature to tax messages? Do you recall that?

Mr. Shattuck: I recall it.

Mr. Brown: I thought probably your companies had given some consideration to that and come to some conclusion about it?

Mr. Shattuck: Of course, speaking generally, it would depend on, perhaps, a meeting between the Postal Telegraph Company and the Western Union officials. Generally speaking, the regular ten-word rate is in a certain amount, say twenty, twenty-five, thirty or thirty-five cents. Of course, extra words bring it into pennies, but a tax on messages, I take it, would be in pennies, and for that reason it might not be added on.

Mr. Brown: And again it might?

Mr. Shattuck: Again it might, and as a result, of course, it might be worse for the public. Now, they have a law of that kind down in Maryland. I don't know. It made the operator stamp the hour that the message was delivered for transmission, and putting a tax on it also. The result was that it cost the public more in the long run than it otherwise would have, because they added it on in different ways, charging them for messenger service and so on. Of course, I could not answer for what the executive of-

ficers of those two corporations might do. I know their general feeling is against taxation, and I believe if they were taxed they would certainly give it earnest consideration as to whether or not the public should pay.

Mr. Brown: Well, the presumption is against the public.

Mr. Shattuck: They have no other source of telegraphing practically then with one or the other of these corporations, and therefore so long as they serve the public equitably in the way of making charges, there is no complaint on the part of the public.

Mr. Brown: It might resolve itself into the upper and nether mill stone?

Mr. Shattuck: I really think it would. That is my personal opinion, but I am not able to speak for the executive officers.

Mr. Brown: Mr. Shattuck is the only man who has come before us asking to be taxed. Do you wish to ask him any questions?

Mr. Shattuck: I say I do not think they are over-taxed in the State?

Mr. Brown: It is the borough tax and license, and one and a hundred other things?

Mr. Shattuck: It is the boroughs and first-class townships that I have made complaint about. I do not know as it would produce a great deal of extra income even if they were taxed a reasonable amount more. I do not think the income to the State from telephone and telegraph companies is very much.

Mr. McNichol: Not half as much as it should be.

Mr. Shattuck: I would not want to see it doubled, but take an ordinary fair raise of 10 per cent. or something like that, I do not think it would amount to much in dollars and cents.

WILLIAM H. KELLER, of the People's Trust Company,
Lancaster, Pa., called.

Mr. Keller: I do not know as I have anything special to say.

Mr. Brown: I invited the Lancaster Trust Company, because Mr. Eschelman came here and stated that they had a grievance, and it was out of courtesy to Mr. Eschelman.

Mr. Keller: I can corroborate what Mr. Newman stated to you, that the amount that was placed on deposit is entirely too high. We do not pay any interest on anything except certificates of deposit, and that while these certificates of deposit are all fixed for a certain time, yet the universal custom has been to pay them on presentation, and if we did not pay them there would be a run on the bank. That has been the custom. They are paid. The only result is that if they are presented at less than six months, they lose their interest. If they are presented after six months or over they get 3 per cent., and if they are allowed to remain in for a whole year they get 4 per cent. I think a trust company and a bank are in a different situation from any other class or corporation. Their business is borrowing and lending money, and therefore their assets are in proportion to their net capital stock. The great bulk of the assets of a bank or trust company are really liabilities. We do not believe there could be any fairer method of determining the tax than that which is determined now. Previous to the Act of 1907 there was nearly always previously continuous friction between the Auditor General and the different banking institutions as to the exact market value of the capital stock. Taking their book value, there can be none. It is shown on the books, and there can be no falsification. It has worked very well, and we think any change from it would be a mistake.

Mr. Brown: Do you change the value of your real estate from year to year?

Mr. Keller: The value of the real estate is changed from year to year as there are additions to it.

Mr. Brown: If your real estate appreciates in value do you change that on your books?

Mr. Keller: Not on the books, unless there has been some material change, like a building added or something of that kind. It is generally carried at the cost, but I may say the cost of nearly all banking institutions in Lancaster is away ahead of the assessed value.

Mr. Brown: How about the selling value of the building?

Mr. Keller: The selling value is somewhat less than the amount that is carried on the books, because the banking houses are, as a rule, rather nice institutions. They are well built and look well, and I doubt if they were exposed to public sale whether they would bring—unless there had been a material increase in the ground—as much as they actually cost with their fixtures.

Mr. Brown: And at what they are carried on your books?

Mr. Keller: Yes. And as Mr. Newman has said, we are all taxed locally, of course. We pay our tax to the county, and to the city, and to the school district, on the assessed valuation of our real estate, in addition to paying State tax.

HARRY L. LEAM, representing the Shamokin Trust Company, called.

Mr. Brown: Have you any suggestions to make to us?

Mr. Leam: Well, I think the present law is pretty good. I do not think you can get a fairer or more equitable way of arriving at the tax value than the actual book value.

Mr. Brown: Do you carry your real estate on your books at its assessed valuation?

Mr. Leam: The only thing we have charged off on the real estate is for furniture and fixtures. The rest we carry at exactly what we paid for it.

Mr. Brown: As it increases in value, do you keep pace with the valuation from year to year?

Mr. Leam: No, we have not increased the value. We are paying just like the other trust companies, we are paying a borough and county, poll and school tax, of course, and also paying to the State.

Mr. Brown: How about your moneys at interest?

Mr. Leam: We do not issue certificates of deposit. We pay interest on the time they deposit at the rate of six months or longer, we pay 3 per cent.

Mr. Brown: They are not taxed?

Mr. Leam: No.

Mr. Brown: The depositors as a rule do not pay the tax?

Mr. Leam: That I do not know.

Mr. Brown: You never heard any complaint?

Mr. Leam: No. I believe this, in regard to the suggestion that was made here, that if they were to appoint the trust companies as officers to return to the State what moneys are there, I think it would cause no end of trouble. To begin with, money that has to be with us six months before we pay any interest, very often it is there six

months and one day and taken out. If we returned it to the State, how would we collect it?

Mr. Brown: You pay, for instance, \$10,000 a year in interest, and if you paid that tax on it, you deduct it from your depositors' accounts?

Mr. Leam: How would you do that? A large portion of the accounts we have the preceding year are checked out.

Mr. Brown: When you pay the interest, there is a time when you pay interest?

Mr. Leam: Yes.

Mr. Brown: When you pay interest, deduct the tax. Let the thing be contemporaneous?

Mr. Leam: I believe that would result in driving a lot of depositors away from the bank.

Mr. Brown: Where would they go to?

Mr. Leam: They would go to the savings funds.

Mr. Brown: Tax the savings funds the same?

Mr. Leam: That is what they would do undoubtedly, if you put the tax on you are speaking of.

Mr. Brown: Is there any reason why saving and trust deposits should not be taxed the same as a bank or trust company?

Mr. Leam: I do not see any reason. I think they should be put on an equal basis.

Mr. Brown: So if they were, it would be rather foolish to——

Mr. Leam: Certainly. It would also act against the banks in another way, or the trust companies. It would result in a good many using the old stocking, instead of the bank. A good many would hoard it at home.

Mr. Brown: You think they would rather lose it altogether, rather than to pay the 3 per cent. extra tax?

Mr. Leam: Yes, they take chances. Lots of them are taking chances now. That I know.

FRANCIS N. WHITNEY, ESQ., Tax Attorney for the Western Union Telegraph Company, called.

Mr. Whitney: On behalf of the Western Union, I read the notice that was sent to Col. Fowler, and it speaks of taxing real estate locally. Now, if it is contemplated by this Commission to alter the tax laws of the State of Pennsylvania so as to place upon the local assessor the power to attempt to value telegraph property, it will simply mean a chaotic condition. There is no assessor that is intelligent enough to tax a railroad locally, or a telegraph company or express company locally.

Mr. McNichol: How is it possible for any business man to value his plant and show appreciation and fix a value on it, if it would not be possible to do that, and why is it not possible to value a pole or a wire as a part of the plant?

Mr. Whitney: As a whole, yes, but not in short sections. I mean taking the boundaries of a borough, or a township, or a county, and attempting to make a good many bites at one cherry.

Mr. McNichol: Take the county of Philadelphia.

Mr. Whitney: The county of Philadelphia, the property as a whole here might be valued and might come pretty near its value. Of course, the element of depreciation would enter largely and that would be the stumbling block, as to the amount of depreciation. I think myself that the scheme provided by the State for taxing the property as a whole, taking its capital stock at its average value for a year, arrives at the value of the property and you tax every element in that.

Mr. Brown: In the valuation of capital stock, of course, it included all the assets?

Mr. Whitney: Everything. You take into consideration every element that is taxable.

Mr. Brown: How is it possible for one man practically today to tax the value of all the real estate of the Western Union in Pennsylvania?

Mr. Whitney: He does not do it.

Mr. Brown: He takes your word?

Mr. Whitney: He doesn't do it, no. I do not mean that. It isn't necessary to value its tangible property under the existing law. For that reason I believe the present law is preferable by far to any law that would require a tangible valuation. I think when you come to make a tangible valuation for ad valorem assessment, you are going to have a——

Mr. Brown: What does your return to the State of Pennsylvania include?

Mr. Whitney: We return all miles of line in the State, the total miles for the system, \$99,817,100 of capital stock, and we give the average price of the stock for the last fifteen days in November, and the highest and lowest for the year preceding the first Monday in November. Then it is upon those stock valuations that the capital of the company is valued. That is, the capital outstanding is a little over ninety-nine millions of dollars, and then that amount is apportioned to the State of Pennsylvania on the mileage ratio.

Mr. Brown: And that is all the State gets?

Mr. Whitney: No, they pay on gross receipts.

Mr. Brown: If I understand, like all transportation companies, you pay a gross receipt tax?

Mr. Whitney: Yes.

Mr. Brown: And there is no attempt to get at the real value of the physical property?

Mr. Whitney: I don't see how there can be.

Mr. McNichol: Why couldn't it be done? You have got your accounts of what you paid for lumber and poles?

Mr. Whitney: That is true.

Mr. McNichol: You have got your labor account of your men for construction?

Mr. Whitney: Yes.

Mr. McNichol: What is the difference——

Mr. Whitney: If the State was to make the valuation——

Mr. McNichol: We are talking about your valuation and submitting it to the State, and if the State wants to investigate that proposition that is their business.

Mr. Whitney: That is not what I understood this Commission to be after. It was what was taxable locally.

Mr. McNichol: You say it would be impossible to tax it locally?

Mr. Whitney: I think it would. I don't think the ordinary assessor has intelligence enough to value a railroad or telegraph line. You get all kinds of value. We have them in New York State, and we have a frightful condition there. We have there an assessment by the State Board of all lines that occupy the highways, and all the rest of the property is assessed by the local assessor, and we have all kinds of valuations and all kinds of trouble.

Mr. McNichol: What do you pay in to the State of Pennsylvania in the way of tax?

Mr. Whitney: On the Western Union, or on its allied lines?

Mr. McNichol: On the whole system?

Mr. Whitney: I cannot give you that. I do not know the gross amount. We pay our gross earnings tax and on intra state business. The last six months' bill was paid a few days ago, and it was on intra state business about \$120,000, not quite \$120,000; I think \$116,000 or \$118,000.

Mr. Brown: How does the valuation of the capital stock compare with the real physical value of your property?

Mr. Whitney: I do not know that we ever made an inventory of the property in Pennsylvania. Our books are not kept by State lines at all; they are kept as a

whole, or in some instances the expense and repairs accounts are kept by districts; they are made up of railroad routes. Nearly all of the lines of the Western Union are on right-of-way of railroads.

Mr. Brown: At present your stock is practically fixed on the market value?

Mr. Whitney: Yes, which I think is a fair way of assessing the value of the property. Of course, it is taxed every year, and if that price is high one year and low the next, while the physical property does not vary in cost, to that extent it is a fair way to equalize it with other properties.

Mr. McNichol: How long has that system been in vogue?

Mr. Whitney: As long as I know, and that is——

Mr. McNichol: Do you think it is fair that the Western Union or any other corporation should be permitted to go on under conditions existing thirty-five or forty years ago, and avoid the increased responsibility and duties devolving upon every citizen?

Mr. Whitney: We do not avoid it, because we pay upon our increased mileage and increased returns—increased receipts.

Mr. McNichol: On a basis formed thirty-five or forty years ago. Isn't it out of all proportion and ridiculous at this present day? That is what the Legislature is confronted with. Men who are occupied in laborious work, and are having their rental increased 35 or 50 per cent., when in point of fact a corporation is allowed to go on and run on the same system they were run years ago. You wouldn't say you are conducting your business with the public as you conducted it thirty years ago?

Mr. Whitney: No, I don't think we are.

Mr. McNichol: You have made improvements and your income is much larger, the receipts being that much more?

Mr. Whitney: Our income has kept pace with the expenditure.

Mr. McNichol: The State of Pennsylvania is trying to adjust conditions.

Mr. Whitney: I hope when they do adjust them, they won't go out of the frying pan into the fire, and get back to the local assessor. We have kept pace with the others by paying on the increased mileage and increased investment.

Mr. McNichol: And every increase you add to it means that much increase of income to your stockholders?

Mr. Whitney: Which we have paid on.

Mr. Brown: How much is the dividend in your company?

Mr. Whitney: Last year the dividend was 3 per cent.

Mr. Brown: Twenty-five years ago it was what?

Mr. Whitney: Twenty years ago it was 5 per cent.

Mr. Brown: What is charged off before that dividend is fixed? How large do you put the surplus or undivided profits, for instance?

Mr. Whitney: The company has no surplus account as generally understood. Their surplus has been invested from time to time in the extension and building of new lines. The construction of new lines does not come in as an operating expense.

Mr. Brown: So the net results to your stockholders are only 3 per cent.

Mr. Whitney: Three per cent., the last three years, I think, since the strike of 1907. Prior to that it was 5 per cent. for twenty years.

Mr. Brown: How is that compared to the Postal?

Mr. Whitney: I don't know anything about the Postal. I do want to impress upon this Committee the fact that we have a burden, a very great burden, in the State of Pennsylvania, pole tax, wire tax, license tax, and things of that kind, and it has been extended now to townships,

but fortunately the Legislature saw fit in 1905 not to send us to a jury, but it left the Court of Common Pleas to determine the rate, which makes it a very fair way of determining.

Mr. Brown: How is our tax compared with New York, the net results to the Company?

Mr. Whitney: It is a New York company, and of course, they have to pay there a tax on their capital stock, an excise tax, as it is called, which is similar to the gross receipts here, and franchise tax for doing business, and then we have a special franchise, right of occupancy of streets.

Mr. Brown: That is the same thing you pay the boroughs and townships in Pennsylvania for?

Mr. Whitney: They levy a pole tax. In the City of Philadelphia we have a pole and wire tax, and recently under an ordinance of June last a conduit tax; that is, the conductors and conduits.

Mr. Brown: You are satisfied with present conditions, as I understand you?

Mr. Whitney: Yes, I think it is a fairer way to estimate the tax.

Mr. McNichol: Can your company stand an additional burden?

Mr. Whitney: We are paying 3 per cent. now. The gross receipts for the preceding year ending June 30, 1909, were about thirty million dollars, and the operating expenses were over twenty-five million. We have \$38,500,000 of bonds, and of course, that is a fixed charge. The interest on those bonds varies from 4 to 5 per cent.

Mr. McNichol: You do make the interest and enough to pay 3 per cent. on the stock?

Mr. Whitney: Yes.

Mr. McNichol: Quite a profitable company for the bondholders.

Mr. Whitney: For the bondholders, yes.

Mr. Brown: Does that stock represent actual cash to the company?

Mr. Whitney: Yes, property, not actual cash, because in some instances the old telegraph companies organized in this State, the Erie, Delaware River and Susquehanna, Philadelphia and Wilkesbarre, some of the old companies were purchased by stock of the Western Union at different times, and those pay capital stock tax. I am very anxious to avoid the local assessors.

WALTER C. SINGER, representing the Erie Railroad, enters his appearance.

Public Meeting of the Committee held at Room 496, City Hall, Philadelphia, Wednesday, October 5, 1910, at eleven o'clock A. M.

Present: James P. McNichol, Esq., Chairman; Wm. C. Sproul, Wm. H. Keyser, James F. Woodward, of the Committee; Francis Shunk Brown, Esq., Counsel.

Mr. Brown: As the Committee is aware, we have invited here today probably a hundred to one hundred and ten of representative men and women of Philadelphia and this section of Pennsylvania, who are payers of large sums in taxes to the State of Pennsylvania, for the purpose of obtaining from them their views upon the propriety of the State of Pennsylvania ratifying the proposed amendment to the Constitution of the United States authorizing the Federal Government to tax incomes, and a similar invitation has been extended to all banks, savings institutions, trust companies, and like institutions, which represent a large amount of capital, all of which would be subject to that tax if this amendment were adopted. We have also with us today the representatives of the various Legislative Committees, who have asked for an audience or hearing for the purpose of protesting against the continuance of the mercantile tax law. If it is your pleasure, we will take the Legislative Committee first. Mr. Lord, is there anyone present who will speak for the association as an association?

Mr. Lord: No, sir. We will file a brief.

Mr. Brown: I will commence with the Philadelphia Commercial Exchange.

MR. SAMUEL L. McKNIGHT, President of the Philadelphia Commercial Exchange, called.

Mr. McKnight: I shall not inflict upon you any lengthy argument in addition to the brief which has been filed in behalf of the association which I represent, but I beg permission to advance one or two suggestions that would seem to be pertinent to the occasion. The Act to provide revenue by imposing a mercantile tax on venders of or dealers in goods, wares and merchandise, does not seem from its phraseology to have been especially aimed at the branch of business in which my colleagues and myself are engaged, but it has seemed to strike our trade with more than the ordinary force. Let me illustrate briefly my meaning by first pointing out that some of the members of the Commercial Exchange are brokers, some are wholesalers and some are retailers.

The Act provides that each retail vender shall pay an annual mercantile license tax of two dollars, and one mill additional on each dollar of the whole volume, gross, of business transacted annually. Each wholesale vender shall pay an annual mercantile license tax of three dollars, and one-half mill additional on each dollar of the whole volume of business transacted annually. Each dealer in or vender of goods, wares or merchandise at any exchange or board of trade shall pay a mercantile license tax of twenty-five cents on each thousand dollars worth, gross, of goods so sold.

Mr. Brown: He pays a tax of three dollars?

Mr. McKnight: Yes. This seems to be an unfair discrimination against the wholesaler and retailer, who pay respectively twice and four times as much as those who

deal upon the Exchange or Board of Trade. Actually, however, the dealer upon the Exchange or Board of Trade who pays twenty-five cents is usually a broker, who sells to a wholesaler (that pays fifty cents) and the latter in turn sells to a retailer, who pays one hundred cents upon the \$1,000, thus making three taxations upon the same article.

I am not here to protest against the broker or dealer upon an exchange or board of trade paying but twenty-five cents upon the \$1,000, as against the higher rates charged to our other branches of membership, but I would protest against the three assessments upon the one transaction, which under the present law must be paid if the law is observed. The broker, selling upon commission, which may not amount to more than \$2.50 or \$5.00 at the utmost, can scarcely afford to give one-tenth or one-twentieth of his earnings to the State for the privilege of conducting his business lawfully; and the jobber upon the floor of an exchange, who would be ranked as a wholesaler, could as illy afford to pay the same proportion of his gross earnings, even if his figured profit should be twice that of the broker, his rate being also double. It would also seem undue discrimination to charge the small dealer or retailer, handling his merchandise by the petty quantity, a still higher or again doubled rate, for the privilege of doing business. I would again insist that it is unjust to make three handlers of a car of grain or feed, the broker, wholesaler, and the retailer, each contribute a tax to the State, based upon the gross price of the article handled.

The theory of taxation that is based upon the gross volume of sales seems to me to be entirely wrong. It is an incentive to concealment of figures, or, if the books of the merchants are to be investigated under the law, an undue prying into their business and its extent. It strikes unequally because it penalizes with an extra tax the dealers in merchandise, while permitting those who

do not handle merchandise an immunity that is prejudicial to the former. The dealings upon the floor of our exchange are in actual commodities, and every transaction would have to pay its share of the tax.

If the State needs the money which this form of taxation now provides, it would seem to me that an equal sum could be raised in a much more equitable manner. Our members do not object to contributing their proper quota to the expense of conducting a government, but they believe the mercantile tax should be based upon a fixed annual payment according to the nature of the business done, that is, so much per annum for a broker, so much for a wholesaler and so much for a retailer. The latter takes the greater risk of the three, and should not be compelled to pay the highest rate for the privilege of doing business, and no law is just that would place three rates of taxation upon the same article and collect all three upon that article.

Let me briefly explain why the tax is especially severe upon our trade, when compared with the ordinary or average business affected by the tax. The merchant in other lines buys a thousand dollars worth of goods, or something that he wholesales or retails for a thousand dollars, and his profit is from 10 to 25 per cent., certainly not less than 10. That means a profit of not less than \$100. If a wholesaler, he pays fifty cents tax, or if a retailer one dollar, out of a profit of from \$100 to \$250. But in handling grain, where a man works upon a fraction of a cent per bushel, or at most a cent a bushel, and a thousand dollars does not represent more than a thousand bushels of wheat, or fifteen hundred bushels of corn, or sixteen hundred bushels of oats, the profit in handling a thousand dollars worth of goods or grain is not more than from ten to twenty dollars.

Yet the grain man is charged fifty cents, if a wholesaler, or one dollar, if a retailer, upon his ten or twenty dollars profit, as compared with the same charge to oth-

er merchants upon a profit of from one hundred to two hundred and fifty dollars, or more than ten times as heavy a rate for the privilege of doing business.

I would like to file a brief, and in this connection we also claim under the present Federal laws any tax placed upon interstate sales is illegal.

Mr. Brown: As I understand, you do not object to the tax, but you think there should be a separate class made of those in your business?

Mr. McKnight: I object to it on account of it being on the gross sales, more than anything else. If it was put upon the profits of the business, that would be fair.

Mr. Brown: Would not a tax put upon the profits involve a lot of clerical work and examining, and all that sort of thing, more so than just lumping it all and taking the gross sum?

Mr. McKnight: That is right, but you can see where it affects the different lines of profit, and in our line of business we think it is unconstitutional in a certain sense, although I am not a lawyer. I buy a car load of wheat from a dealer in the country; he pays a tax on it. I sell it to a miller, and you put a tax on it which I have to pay. The miller turns it into flour and sells me the flour back, and he does not pay any tax at all. And then I sell it to a small dealer and he pays a double tax on it, the same lot of stuff, and in this case the miller is exempt. I think we ought to abolish the whole thing.

Mr. Brown: In what way would the brokers and the men in your class of business pay their contribution to the State in the way of revenue?

Mr. McKnight: We pay a regular tax for doing business. Of course, my argument here shows we are willing to pay a certain share of it. We ought to be taxed on the profit of our business, what we make on it, rather than the gross sales.

Mr. Brown: A license tax such as you suggest, charg-

ing one class so much, and another class so much, that wouldn't hardly be fair if one man did ten times the business another did?

Mr. McKnight: I don't see how you are going to get at it any more fairer, because the difference in profits is so great. We sell large quantities of stuff and it runs into money very quickly, but the profits on it are very small necessarily.

Mr. Brown: Will your association, through your counsel, prepare such a bill as you think will be equitable?

Mr. McKnight: Yes, we can do that.

Mr. Brown: And will you give us some data upon which you would base the support of such a bill, such a proposed Act? You folks must have the figures which show what is done in these different classes, or they are available, and we would appreciate the receipt of that, which would be a help to us.

Mr. McKnight: The difficulty is in getting figures. It is so hard to get at it on that account, although the license tax would be the easiest.

Mr. Brown: Is this tax highly burdensome upon your members?

Mr. McKnight: It is upon the very large dealers, because they work on such a small margin of profit.

Mr. Brown: Take, for instance, a man who would make a net income of \$10,000 a year; what would be his tax payment to the Commonwealth? Would it be burdensome to him, the tax that he has to pay?

Mr. McKnight: Well, I couldn't answer that, because I don't know how much business he did to make the \$10,000. Some men might only sell a small amount.

Mr. Brown: Take your own individual case. Has the tax been a burden to you?

Mr. McKnight: Not particularly it hasn't, no, only nobody likes to pay taxes to any extent.

Mr. Brown: As a general proposition, they do not. I

don't like to ask gentlemen who come here personal questions as to their incomes, and all that, but it seems to me if a man could tell us what his income is and then say, "I pay a tax of so much, and that in my opinion is excessive," then we would have something to judge from.

Mr. McKnight: The chairman of my Committee is more familiar with figures than I am. I would like you to ask him a few questions—Mr. Warner.

MR. GEORGE M. WARNER called.

Mr. Warner: In answer to your question to Mr. McKnight I want to say this tax is exceedingly burdensome. Take my own case, before it was construed so as to eliminate business which we call interstate business, some years ago, personally I returned everything, whether it was interstate or intrastate, I returned everything. Then we found through the Mercantile Appraiser's office here that they considered that the law, the Federal law, would not allow them to tax interstate business. Consequently they eliminated interstate business from our assessments, which, of course, reduced the burden, but we rest on the general proposition that it is unfair to tax any business on the basis of its gross sales, because I may be doing a business of \$500,000 and making only \$5,000, and another man may do a business of \$50,000 and make \$10,000.

Mr. Brown: Why the difference?

Mr. Warner: The difference is in the nature of the business.

Mr. Brown: In the methods or the conduct of the business?

Mr. Warner: I suppose John Wanamaker's are ten times what mine are, on the amount of money I handle. I claim the State has no right to tax me because I am doing a large business, no right to tax me on my gross sales.

Mr. Brown: Would not a tax on the net sales involve the examination of the methods and conduct of business, and prying into businessmen's affairs?

Mr. Warner: I grant you your point in so far as it might affect some men, but there would be no more prying into my business to get my income than there would be to get my gross sales. I can give it to you off the book.

Mr. Brown: Suppose you come to a person who is not so willing to give it to the assessor, he is compelled to obtain it, and it would involve considerable knowledge of bookkeeping, wouldn't it?

Mr. Warner: I don't see how it would, because he would guess at the gross sales right along. Many of them do. I think the law in its present state fosters iniquity. I think it is born in sin and conceived in iniquity, in one sense.

Mr. Brown: Does every business house keep an account of its gross sales?

Mr. Warner: I doubt if 20 per cent. of the people who make this return do it, except at a guess. I have done it carefully on my books, adding them up every year and am still doing it, but it is an unjust burden on us who make an honest return. The whole thing itself is an injustice.

Mr. Brown: Why do you say that? Wherein is the injustice, assuming every man is expected to pay his share, whatever that share may be, towards the expenses of his Government and the support of society?

Mr. Warner: I am willing to do that and to do it, but I contend it is not justice to tax my gross sales without any reference to what my profit is out of those gross sales; that in the grain business, like the stockbrokers, we handle enormous amounts of money for a very small margin, and yet we are taxed on our gross sales. The law seems to discourage industry altogether; the more business you do, the more you must pay, without any reference to whether you are making a profit out of it or not.

Mr. Brown: Take your own case, if you choose to say what your income from your business has been and what tax you pay, or, if you do not care to give your own personal experience, say what the result of your talk with your fellows engaged in this particular business has been; what proportion do they pay in tax?

Mr. Warner: I don't object to telling you, if I could give it exactly from memory. Some years ago when we were returning interstate business as well as other business, I paid a tax of about \$45.00 on a net income of about \$2,000. Now, I pay a tax of, say \$22 or \$23, but my net income has been very greatly reduced. It was cut in half last year. I don't mind telling it at all. My net income was just cut in half last year, owing to the dull times, and yet the law takes no cognizance of that at all. The law says if you double your sales and halve your income, you must pay us twice to support you; that is, to take care of you.

Mr. Brown: Can you say from communications you have had with those in the same line of business what their feeling is?

Mr. Warner: I judge they would not very much differ from that. We all suffered last year and the year before, and I guess all these gentlemen are suffering from dull times, but we hold to the principle that a tax on the gross sales is not a correct principle. I do not see how the gentlemen of this Committee can sustain it.

Mr. Brown: You think a tax on net income is the fair way to get at it?

Mr. Warner: I think that is just and fair. I am in favor of an income tax all over the country, from Maine to California, and from Minneapolis to Florida; it is the only just thing, and every one ought to be made to make an honest return. If we are going to make an honest return of our gross sales, we will of our income, and any man representing the State can come down and look at my books and see what my income was last month or last year. We think if we are making a large revenue, we should pay a correspondingly large tax, but if that revenue is reduced, then the tax should be reduced.

Mr. Brown: Do you think the State ought to tax a house that has been vacant for years and no income secured from it?

Mr. Warner: I do not think so.

Mr. Brown: You think all unproductive real estate should be exempt from taxation?

Mr. Warner: I would not call that fair, but I am not in the real estate business.

Mr. Brown: I assume the burden should be placed somewhere? How would you do in a case like that, where a man owns real estate and gets no rent from it, should he pay a tax or be exempt?

Mr. Warner: I think he should pay a small tax. He has the property and the possibility of income from it. I think he ought to pay a small tax on it. I think it should be graded.

Mr. Brown: I am trying to get your thought. Suppose a man who has a house next door to you is unable to rent it, and you living in the next adjoining house with an income, why would you tax the one and exempt the other?

Mr. Warner: Well, I think a man who has a large amount of real estate should pay some tax on it, whether the property is productive or not, because he takes up ground that belongs to his fellows, but that is a very different thing from the grain business.

Mr. Sproul: You state you are in favor of an income tax?

Mr. Warner: Yes.

Mr. Sproul: Now, would you have that income tax levied by the Federal Government and collected by it, or reserved to the State for its income?

Mr. Warner: Well, Mr. Sproul, I am not quite enough of a lawyer nor a Theodore Roosevelt to answer that question. I think it would be better for the State to collect that.

Mr. Brown: Mr. Roosevelt has answered that he thinks the Federal Government should get everything in sight, the inheritance tax and the income, too.

Mr. Warner: Please repeat that question.

Mr. Sproul: You said you favored an income tax, and we wondered whether you meant that you wanted it collected by the Federal Government for Federal purposes, or if the State should reserve the income tax for its own support?

Mr. Warner: At first blush I should say the State had better collect its own income tax. I think that is more in accordance with American institutions.

MR. WILLIAM A. HUEY, representing the Philadelphia Commercial Exchange, called.

Mr. Huey: As one of those who pays taxes, this is a tax that I never understood right. You have heard our members of the Committee here explain themselves in reference to it, and I do not wish to go over the same ground they have covered, but I think the State could devise some other form of taxation that would accomplish the purpose without inflicting upon us a tax which I think is not right. Now, the line of business I am engaged in, I think, is bearing what I would term excessive taxation, when you consider how it is earned, and it never gets rid of this tax until it is used up or consumed. If there could be a law framed that would get at the income of our business, I should think that would be a fair law.

Mr. Brown: The net income?

Mr. Huey: The net income. I am one of those who make returns on my gross sales, I believe, to the dollar. Our chairman said he did not think there were over 20 per cent. that paid taxes, but I do say I take my monthly sales and make returns. In the last year I have lost some accounts. The State has got its tax from me. As my accounts are largely credit, I run the risk of losing accounts at times, like all other business men.

Mr. Brown: Your tax you pay is what proportion of your net income?

Mr. Huey: I am not figuring on the net income. I am figuring on the gross sales.

Mr. Brown: Suppose you were taxed on your net income, what proportion of your net income is your tax?

Mr. Huey: I am taxed on it all.

Mr. Brown: I know, but what percentage?

Mr. Huey: That I would have to consider to see what I can afford to pay.

Mr. Brown: What are you paying?

Mr. Huey: I am not paying on my income.

Mr. Brown: You are paying on your gross sales?

Mr. Huey: Yes, sir.

Mr. Brown: No matter what you pay, it is a certain proportion of your net income?

Mr. Huey: Yes, I understand that, but you asked me to say off-hand what I should pay. That is not a question for me to say. There are some businesses that run on a very small margin. Other businesses can afford to pay more.

Mr. Brown: You think it ought to be classified?

Mr. Huey: Well, I think if it is an income tax it should be classified.

Mr. Brown: You said the tax was burdensome and unfair and all that. What proportion of your net income is your tax; is it 1 per cent?

Mr. Huey: Well, I would have to go to my figures——

Mr. Brown: You do not know?

Mr. Huey: I am obeying the law, as far as I know, and paying my tax according to the law, and as to the net income, as I say, I would have to figure it. I don't know that. I lose bills every year.

Mr. Brown: It is our business to know just how this tax is burdensome and unjust. If a man doesn't know just how much he pays and what proportion his payment is to his net income, it is pretty hard for us to conclude whether it is fair or unfair.

Mr. Huey: Wouldn't you think it is unfair to tax a merchant for a bill he loses, that he can't collect? Wouldn't you consider that is an unjust tax? That is the present law, as I understand it. Don't you think that is an unjust tax?

Mr. Brown: What my personal thought may be does not cut much figure in it. What I asked is the result of inquiries and suggestions that have been made to us

as we have traveled over this State. It has been advocated that the State ought to tax not only on the sales, but the stock in the stores. The farmers think the State ought to tax the stocks in the stores; that while a man may own a half million dollar stock and pay no tax on it, yet the man who owns a half million dollars worth of real estate does pay a tax on it.

Mr. Huey: I can't give you any more light than I have. I am in favor of an income tax.

Mr. Brown: Net income tax?

Mr. Huey: Yes. And whether the State collects it, or the National Government, that is a question for you legislators to consider, but I think the State ought to consider about her finances. We are all interested in the development of our State, and we ought to look after the interests of the State.

Mr. McNichol: What is the custom in other States in regard to taxing members of your association?

Mr. Huey: I do not know, sir. Some States have no law such as we have here, I understand, the State of New Jersey, for instance. We sell goods in Trenton, we ship goods from the West and we deliver in any State where we can secure a customer. Our chairman has said that would be interstate business, and that is not taxable, which I believe is right. As to the other State laws, I am not acquainted. It is only what I do with the goods after I get them.

Mr. McNichol: Don't you think that it would be wise for you gentlemen to find out what the custom is in other parts of the country and let us have your information?

Mr. Huey: As it is now, I couldn't tell you.

Mr. McNichol: How much tax do you think you are paying?

Mr. Huey: On the business I am handling?

Mr. McNichol: Yes.

Mr. Huey: Well, in the volume of my business it doesn't

pile up as high as grain. For instance, I am a wholesale dealer in hay, and in the seasons I do a large business yet it don't figure largely, but some years are higher than others.

Mr. McNichol: That is true in all business, is it not?

Mr. Huey: Yes. I should say somewhere from fifty to sixty dollars, I think I paid last year.

Mr. McNichol: What was your profit at the end of the year on all that business?

Mr. Huey: Well, now, I would have to go into figures. I have accounts laying over which ought to be paid, and I can't tell when I close my year's business whether they are going to be paid or not.

Mr. McNichol: Give us the accounts that have been paid. How much of a profit have you made in the conduct of your business whereon you paid the fifty or sixty dollars tax?

Mr. Huey: I couldn't do it off-hand.

Mr. McNichol: Well, about? Five or six thousand dollars?

Mr. Huey: Oh, gross, I should say more than that.

Mr. McNichol: Considerably more than that?

Mr. Huey: Yes, but it is the expense of doing it.

Mr. McNichol: Do you think that is an unjust burden?

Mr. Huey: It is the expense of doing that kind of business.

Mr. McNichol: We all have expenses in conducting our business. We find that if we buy hay or feed we have to pay an enormous price for it.

Mr. Huey: And we have to pay for it long before we get it. We get our draft long before we see the goods. There is this much about it. I spoke to one of our merchants about this matter—more than two-thirds of my business is commission, I suppose—and one gentleman said to me, "You are paying too much." He says, "You ought only to pay on your net income from your commissions,

you don't own these goods." "You see, you have a law that is unfair." I never thought of that, and I guess that gentleman was right. You see you have a law that wants looking into very much, this present law.

Mr. McNichol: I think you gentlemen are the ones who should look into this, where the defects are, and give us your ideas of where it should be corrected. We would like to have that information from you gentlemen, in regard to the custom in other parts of the country.

MR. N. B. KELLY, representing the Philadelphia Chamber of Commerce, called.

Mr. Kelly: Counsel representing the Philadelphia Chamber of Commerce is detained in Court to-day, and therefore could not be present. Mr. Shoemaker, who is the chairman of the Philadelphia Drug Exchange Committee, will answer for the Chamber of Commerce as well as the Drug Exchange. I would like to say that the Chamber of Commerce membership is not opposed to the mercantile tax if it is equitably distributed throughout the State? We think these legislators in devising a law for the levying of taxation should secure revenue sufficient to run the State. We think also that the legislators in making those laws should consider the laws of other States, taking into consideration the competition that our merchants and manufacturers have to contend with by reason of the State laws throughout the country. Take, for illustration, in the State of Pennsylvania; the manufacturing corporation is first taxed by the State Government; he is again taxed by the State of Pennsylvania for his charter, if he secures his charter through the State of Pennsylvania, and if he does his business from some place other than his office he is again taxed a mercantile license tax, which to my mind is very unfair and not in accord with the laws of many of the other States. My experience has been in traveling throughout this country that the States try to encourage industrial institutions to do business within their States, and I think the State of Pennsylvania is as well able to do as much for its merchants and manufacturers as any State in the Union.

Take, for instance, the State of Louisiana. The State of Louisiana has passed a law exempting manufacturers from taxation for a period of ten years, for the purpose of inducing manufacturers to come to that State and locate.

There are other States that offer even greater inducements.

Mr. McNichol: When was that law passed?

Mr. Kelly: I think it was passed in 1893.

Mr. McNichol: How many manufacturers have they secured by the passage of such a law?

Mr. Kelly: Oh, you can go through the country——

Mr. McNichol: We just want to know what the result has been from a beneficial standpoint?

Mr. Kelly: I think it has been very beneficial to the State of Louisiana and has induced a number of manufacturers to locate there. I think the statistics will show the manufactures of Louisiana have increased very materially in the last ten years. The latest industrial statistics are not yet published, but from advance information that I have had as a result of my connection with the Census Department, I may state that they have very materially advanced.

Mr. McNichol: Do you want this Committee to believe that advancement has not been indicated in Pennsylvania in the promotion of industrial interests?

Mr. Kelly: I don't want you to believe that, no, sir, but I do want you to believe that there are inequalities in the law for taxing corporations in Pennsylvania, a mercantile house doing business, that should be eradicated.

Mr. McNichol: Have you got a table of such conditions?

Mr. Kelly: I haven't it here before me, but I think you will have the facts before you get through with this investigation. I want to speak in a general way by saying that I believe the State of Pennsylvania is in a better position to encourage its merchants and manufacturers possibly, than any other State in the Union, and I think it is the desire of the legislators to do that, but I think you will find upon investigation that there are inequalities at the present time that should be eliminated or some system of taxation made by the next Legislature that will equitably tax all of the interests concerned.

Mr. McNichol: You are in a better position than any other man, I suppose, to tell us the industrial increase in the last ten years?

Mr. Kelly: I think it has been in the State of Pennsylvania, as well as a great many Western States. I don't think the State of Pennsylvania will show the same proportion of increase in its manufactures as some of the other States.

Mr. Brown: Is there any State that has a larger increase, except the State of New York?

Mr. Kelly: You have got to take, of course, into consideration, the population of your States. I can't compare the State of Pennsylvania with Massachusetts or Ohio. I have got to compare it with——

Mr. Brown: You don't think the City of Philadelphia, that is a hundred and some miles from the sea, can be compared with a city that lies on the sea?

Mr. Kelly: I don't consider that, because we are a hundred miles from the sea, that we are inferior to New York in any particular. I think we have an advantage over New York in a great many particulars, due to our more economic cost of transportation, which New York has not got.

Mr. Brown: That would not make in any way a discrimination against manufacturers?

Mr. Kelly: No, sir, I don't think so. I don't take any exception to anybody so far as Pennsylvania has to do business in competition with New York.

Mr. Brown: Why has the City of New York taken this long stride ahead of Philadelphia in your opinion?

Mr. Kelly: I wouldn't like to go into that now. You have a Committee appointed for the purpose of investigating that point. I don't care to inject that into this proposition. I want to say very emphatically that the State of Pennsylvania is in a position to compete with any State in this Union from a manufacturing or mer-

cantile standpoint, if we are accorded the same privileges accorded by other States.

Mr. Sproul: Don't you think our laws, so far as they relate to manufacturers and also the license tax on merchants, are more liberal than in New York?

Mr. Kelly: In some respects, yes, and in other respects, no.

Mr. Sproul: What do you mean by that?

Mr. Kelly: Taking for illustration the tax on manufacturing corporations——

Mr. Sproul: We have no State tax on manufacturing corporations.

Mr. Kelly: We have to make returns to the State based on the sales of our manufacturing corporations.

Mr. Sproul: But you pay no tax on them. You make returns of your business, but you don't pay any tax as a manufacturing corporation.

Mr. Kelly: No, but you do tax the manufacturing corporation indirectly.

Mr. Sproul: If he pays local tax, to be sure.

Mr. Kelly: And he pays the local tax in my line in an inequitable way. If he does his business through his warehouse or through his mill he pays no tax, but if he does it through his warerooms he pays his tax. Why should he do that? He doesn't do that in the State of New York.

Mr. McNichol: Why does he have a salesroom?

Mr. Kelly: Simply as a matter of convenience.

Mr. McNichol: Oh, no. He has it for the purpose of advertising and bringing trade to that business.

Mr. Kelly: Not at all. I don't agree with you. I will give you a concrete proposition. Here is a manufacturer who has a mill at Twelfth and Snyder avenue; he manufactures dress goods at Twelfth and Snyder avenue and sends them up to Kensington to be dyed, and then instead of sending them all the way back to Twelfth and Snyder

avenue he sends them to his office, which is 209 Chestnut, and he distributes those goods from that office or those warerooms.

Mr. McNichol: That is where his people come to inspect them.

Mr. Kelly: His business is practically all done by salesmen. He doesn't sell his goods through the store.

Mr. McNichol: It is convenient for him to have that central office.

Mr. Kelly: It is only convenient to this extent, that instead of his having to establish his office where his mill is located and taking up the land there perhaps for his office, he has it located at a central point where it is more convenient to him and more convenient for his purposes of doing business. I don't think that is a fair tax. I think that is perhaps one of the inequalities of the taxing of manufacturing corporations which should be adjusted. I have no complaints to make, as I say, about the State of Pennsylvania taxing its merchants, manufacturers and corporations, provided it is done in an equitable way, and I think the State of Pennsylvania, as I said before, is better equipped than any State in the Union to take care of its citizens, and I think it is the desire of the legislators of the State themselves, so far as my experience has gone in representing the Chamber of Commerce, to be fair to these manufacturers, and I think you want pointed out to you those inequalities so they can be adjusted.

Mr. Brown: What is there in our law that has given the preference to New York City in manufacturing?

Mr. Kelly: I brought out one of the inequalities to you. Mr. Shoemaker will go into this matter in detail. You take your rate of taxing corporations as compared with some of the other States; take New Jersey for illustration. They encourage corporations to take out charters in New Jersey, yet a man would rather take out a charter in Pennsylvania than in New Jersey.

MR. CLAYTON F. SHOEMAKER, Chairman of the Committee on Legislation, Philadelphia Drug Exchange, called.

Mr. Shoemaker: It is not my intention this morning to appear as a representative of the Chamber of Commerce, although I am a member of that association, but in the absence of Mr. Kelly's colleague I wish to file this brief in behalf now of the Philadelphia Drug Exchange and likewise of the Philadelphia Chamber of Commerce. It is not my intention to go into detail on the subjects which are included in my brief, but I wish to say a few words in regard to a few of the subjects which have been brought out here this morning thus far.

In the first place, I want to allude to the subject of sales made in interstate commerce. I was informed some time ago by a distinguished attorney of Philadelphia that he had officially advised his clients that it was not legal on the part of the State of Pennsylvania to impose this tax upon interstate transactions, and he had advised them not to pay it, and some of his clients were not paying it. I was not aware that the Board of Appraisers had officially accepted any ruling of that kind, and I don't think that is generally understood by merchants in this State or city. I think they understood they were to pay the tax on all transactions, whether interstate or otherwise. The question has been raised this morning in regard to the custom in other States, and I have included that in my brief, but so long as it has been brought up here I would like to say a few words in regard to it.

Now, I want it distinctly understood that so far as the people for whom I speak are concerned, they do not oppose this tax because of individual hardship, or because of the tax of their particular line of business, but they oppose it on the broad ground that it is an occupation

tax. It is an occupation tax, pure and simple, a tax upon the occupation of a merchant. When these gentlemen may in a little while ask me what sort of a tax I propose shall take the place of it, I do not believe there is any tax necessary to take its place, but if there is the merchants of this State will not complain if physicians and lawyers and all other people who earn money in this State are taxed.

Mr. Brown: Why shouldn't they?

Mr. Shoemaker: Then we will pay our part uncomplainingly.

Mr. Brown: Is there any reason in your mind why they should not? I have never heard any.

Mr. Shoemaker: I am not representing them. I am only standing here for the mercantile community, to protest against what they consider an unequal tax.

Now, reverting to the subject of what has been done in other States. About four years ago the subject was being discussed, and I wrote to the State Government of every State in the Union, and I found there was only seven States in the whole Union which imposed a mercantile tax, and those States were unimportant States—Delaware, Connecticut and far Western States who needed the money. New York doesn't impose a mercantile tax. Neither does New Jersey nor Ohio. If we are not required to pay a tax on intrastate commerce then that robs that argument of a good bit of its force. Now, the question has been asked as to what sort of a percentage—

Mr. Brown: Is the tax that is exacted by the Commonwealth of Pennsylvania an important element in this question of competition? The total mercantile tax collected in Pennsylvania, say for last year, was about a million dollars.

Mr. Shoemaker: Yes.

Mr. Brown: From all over the State. Do you consider

that item of a million dollars is an important element in this matter of competition? I am talking about what was collected by the Mercantile Appraisers throughout the Commonwealth. Has that item of one million dollars so collected a substantive effect on this matter of competition between the merchants of this State and other States.

Mr. Shoemaker: When you ask me that question I will say in reply that that particular question comes up every now and then with a good deal of force. Now, you gentlemen do not realize what the condition of a wholesale merchant is.

Mr. Brown: Let me interrupt. Can you recall any important business transaction that has ever been had by the members of your association in which this element of taxation ever entered, as to the fixing of prices or as to doing business with any one?

Mr. Shoemaker: We frequently, when a very close piece of business comes up, because at times a thing will come up, although our expenses of doing business are from $12\frac{1}{2}$ to $13\frac{1}{2}$ per cent., we very often turn over an important transaction which has to be handled at, maybe, 1 per cent. or 2 per cent.—

Mr. Brown: But do you figure the tax?

Mr. Shoemaker: I just want to tell you if you are figuring on turning over a big deal at 1 per cent., then you have got to think quite seriously about the mercantile tax, and you do think about it.

Mr. Brown: What is the total amount of business done by these different interests?

Mr. Shoemaker: In the City of Philadelphia?

Mr. Brown: The tax is a million dollars.

Mr. Shoemaker: The figures will show that. So that, as I said before, it has always been my feeling and understanding that the merchants generally, Philadelphia and the balance of the State, really have returned the amounts of their gross sales regardless of interstate commerce.

The question has likewise been brought up in regard to what percentage of profits was squandered in this way. Of course, you gentlemen will understand that the profits in a wholesale business, for example, and the profits in a manufacturing line are very different, varying in the same line on account of different surroundings and different conditions, different questions, different kinds of management, and so on, but in a general way I should say that the mercantile tax might easily constitute from 3 to 5 per cent. of the net income of the merchant.

Mr. Brown: How does this tax bear upon you personally? Of course, all my questions, you understand, are not for prying. I am simply trying to get the fact.

Mr. Shoemaker: It is a hardship, because a good deal of our business is done at a very small profit, and we have to average up on the profits. We sell some things very close, and some things we make a better profit on.

Mr. Brown: Is it not a fact that men in your line of business are, on the average, as prosperous as those in any other line of business in our city?

Mr. Shoemaker: No, sir.

Mr. Brown: With the same capital?

Mr. Shoemaker: No, sir. I want to say right here, I have had a good deal of experience in this thing. That is an exploded idea. People have the idea that the drug business is a mine of wealth, and I want to say that my individual and personal knowledge has been such that it makes me weep salt-water tears to find that a wholesale merchant in another business was making a net profit of nearly double ours.

Mr. Brown: He is a fellow-member in the Chamber of Commerce with you?

Mr. Shoemaker: I can't help that.

Mr. Brown: When you are fixing a price in your business, do you mean to say a small item of tax is considered?

Mr. Shoemaker: When we fix a general price, if we are going to buy a thing for sixty cents a dozen and sell a quarter of a dozen at a time, or sell for seventy-five cents, it has no bearing on that, but when a man comes to me and says he wants to buy \$5,000 worth, and you don't have to move it, and he says he will pay you 1 per cent., then the question is whether you want to take that transaction and pay the mercantile tax, and you have to think about it on that occasion every time.

Mr. Brown: I am trying to learn just what proportion this mercantile tax bears to your business?

Mr. Shoemaker: You have our figures there.

Mr. Brown: The argument has generally been advanced throughout the State that it is what the lawyers call too small to bother with, that there is no reason why the great State of Pennsylvania should concern herself with it. You gentlemen say it is not so little, that it is an important factor. I am trying to find out how important a factor it is.

Mr. Shoemaker: One of the most objectionable features is the unjust character of the thing in another direction. The wholesaler buys goods out of a diminished profit, by the fierceness of competition, and he is obliged to pay so many hard dollars he feels he ought not to be obliged to pay or asked to pay, unless a lawyer pays the same thing, but the objection on the part of the small dealer is more forcible.

Mr. Brown: You would all be satisfied if we lawyers and doctors paid substantially the same tax?

Mr. Shoemaker: I think we will all be satisfied. I would be. If all wage-earners were compelled to pay the same tax, and the State needed it, I would not object to paying it in that way. I do not think any fair-minded man would.

Mr. Brown: It is the inequality that bothers you?

Mr. Shoemaker: The inequality of the thing. I want the Committee to distinctly understand I do not stand here and weep, I do not plead the baby act, I do not talk

about personal hardship or the inequalities of my business, or anything else. It is simply the character of the tax, the inequality of the system.

Mr. McNichol: How many men are engaged in the drug business, in your particular line of business?

Mr. Shoemaker: Wholesale or retail?

Mr. McNichol: Wholesale?

Mr. Shoemaker: The number of houses or men?

Mr. McNichol: Houses?

Mr. Shoemaker: Most of the business is done here by five wholesale houses. There are two or three smaller ones.

Mr. McNichol: What was the total amount of your business for the year 1909?

Mr. Shoemaker: Well, the total amount of the business was more than half a million.

Mr. McNichol: What was your profit after all expenses were paid?

Mr. Shoemaker: I decline to state that here.

Mr. McNichol: What was your tax that you paid to the State for your mercantile apportionment?

Mr. Shoemaker: I don't remember the exact amount. I think it was three hundred dollars, or something of that kind.

Mr. McNichol: On a business of \$500,000?

Mr. Shoemaker: Yes.

Mr. McNichol: Don't you think that business men should bear some burden other than what you claim the wage-earners should bear?

Mr. Shoemaker: I am not talking about that. I am not talking about the men who carry the hod.

Mr. McNichol: I am talking about the wage-earner, getting down to some basis?

Mr. Shoemaker: If you wish me to say whether the merchants should be exempted or should not be subject to a thing which a lawyer or physician pays, I say in reply

I do not think anything should be asked of him that should not be asked of the other, and I say it on the broad ground that in the first place the merchant—the dangers of his occupation are not to be compared with the others.

Mr. Brown: You think a merchant can't collect his accounts as easily as a lawyer can collect his fees?

Mr. Shoemaker: No, it isn't that, but the lawyers and physicians have nothing at risk except their health. The merchant has his entire capital at risk, and he doesn't know when the tide of business may set against him and he may be fairly wiped out. I just want to say that when bad years come we don't make anything. Two years ago we paid our mercantile tax when we didn't make our expenses. That is a hardship.

Mr. McNichol: You do not mean to tell me, as a practical business man of years of experience, that if you find in your wholesale business one year a depreciation that you would shut your eyes to the opportunity of the next year in making good that depreciation?

Mr. Shoemaker: I am not taking into consideration, as I said before——

Mr. McNichol: We are taking up a business proposition now.

Mr. Shoemaker: Certainly, I should look at it in the way you state.

Mr. McNichol: And every business man does the same thing?

Mr. Shoemaker: Of course.

Mr. McNichol: Has the wage-earner that opportunity?

Mr. Shoemaker: Well, we don't ask the ordinary wage-earner to pay it.

Mr. McNichol: Don't you think that we who have opportunities that are beyond the scope of the ordinary every-day wage-earning proposition, should bear our proportionate share of the burden in the State of Pennsylvania and the City of Philadelphia?

Mr. Shoemaker: I don't admit the scope.

Mr. McNichol: What is your reason for it? We cannot sit here and take your views in a general way without some foundation to place them on?

Mr. Shoemaker: So far as I see it, the situation is simply this: The question for this Committee to decide is whether it is absolutely necessary for the State to have this revenue. If it is necessary, then I say that the lawyer and physician should be taxed. If it is not necessary, then the merchant should be exempt. That is the position I stand on.

Mr. McNichol: We go farther than that. We are met on the other side by men who are paying taxes, whether they have earning power or not, on real estate and property and things of that kind.

Mr. Shoemaker: I pay my taxes on my real estate.

Mr. McNichol: You men who are engaged in business come along and give us a general proposition, without giving us any facts or figures or any foundation on which to base an argument to meet the proposition advanced by the other people, and if we brought both people here in argument, it would take months and months to overcome their differences of opinion.

Mr. Shoemaker: Permit me to ask you why the State of Pennsylvania should impose a tax which New York does not impose?

Mr. McNichol: I think, in answer to that question, without being familiar with all the details of taxation in New York, that the business man in Philadelphia has much more preference as to the burdens he carries in comparison with New York, largely in his favor.

Mr. Sproul: New York imposes a great many taxes we do not impose.

Mr. Brown: New York taxes dozens of items that Pennsylvania does not attempt to, and they make the same complaint over there.

Mr. McNichol: If you gentlemen have the information, that is what we are after. If Mr. Kelly has that information and would let us have it, we would like to familiarize ourselves between now and the meeting of the Legislature so we can correct those abuses.

Mr. Kelly: You, as the Chairman of the Investigation Committee, are in a better position to obtain the details than we are. If you haven't that information and cannot get it, we will get it for you.

Mr. McNichol: In my business I don't wait for any Legislative Committee or anybody else to secure the information I am seeking. I have it in my possession. Now, if you gentlemen are oppressed by the laws of the State of Pennsylvania, I think it is your duty to give us that table?

Mr. Shoemaker: It isn't so much a question of the particular line of business as it is a question of taxation by the State of Pennsylvania. First of all, what is necessary for the State, and secondly, how the best interests of the State shall be served. Now, we have not touched on an income tax, but here I am an employe and own bonds or stocks in a corporation, and I pay a tax on it. I have life insurance policies, and I pay a tax on them. That all goes into the coffers of the State of Pennsylvania. Indirectly I am paying taxes just as much as this gentleman is. The question is whether your system is correct or not. I do not think it is.

Mr. McNichol: Have you made an investigation of it?

Mr. Shoemaker: I certainly have.

Mr. McNichol: We would like to have your information, if you would give it to us?

Mr. Brown: You mean the whole system—the system as a whole?

Mr. Shoemaker: I think there are inequalities that should be eliminated and should be worked out. I think the principle of the tax of the citizens of the State of

Pennsylvania, through either corporate or mercantile interests, should be, first of all, based on the amount of tax that is required to run the State, and then an equitable standard of taxation so it taxes everybody.

Mr. Brown: Supposing I were to tell you that the consensus of opinion at the International Tax Conference, which met at Milwaukee, where forty States were represented, that the text-writers on the subject conceded that Pennsylvania to-day is far ahead of any State in the country, would that have any effect upon your opinion?

Mr. Shoemaker: I would be glad to furnish the Committee with the information that I have.

Mr. Brown: And in other States——

Mr. Shoemaker: I won't promise for other States.

MR. C. STUART PATTERSON, representing the Western Saving Fund Society, called.

Mr. Patterson: I am here ready to answer any questions or give any information in my power. What would you like me to speak about?

Mr. Brown: I outlined at the opening of the meeting that we had requested representative citizens to appear here and give us their views upon the propriety of the State of Pennsylvania ratifying the proposed amendment to the Constitution of the United States authorizing the Federal Government to tax incomes from whatever source derived, and you are here in response to that invitation.

Mr. Patterson: I am very strongly of the opinion that the State ought not to ratify that amendment. In the first place, you have got to remember that we have to deal with State taxation and with United States taxation. The income tax ought to be reserved to the States. The difficulty about an income tax in general is this, that wherever the collection of the tax depends upon a return to be made by the individual taxpayer, that tax operates unequally against people who make honest returns. Unfortunately, we all of us know that everybody is not at exactly the same point of honesty; certainly not so far as regards the tax question, and therefore where the individual is to make his return, the person who makes an honest and full return will pay a larger proportion of the tax than the person who does not. That is an objection to the income tax in general.

The income tax for that reason ought to be reserved for merchants, and not be a part of a general taxing system. In the next place, as I said before, the income tax ought to be reserved to the States. The Constitution, as construed by the Supreme Court, has established that. Now, this amendment is objectionable upon two grounds. Even

if the power ought to be given to the Government of the United States, it ought not to be given by the adoption of the pending amendment. In the first place, the language of the amendment subjects to taxation income from whatever source derived. Therefore, the bonds of the State of Pennsylvania and the bonds of all agents, municipal and otherwise, of the State of Pennsylvania, would be subjected to taxation, and the fact of that taxation would necessarily interfere with the sale of such bonds. That is one point. There is another point that ought to be borne in mind, and that is this: The income tax is a direct tax. All direct taxes are subject, under the present Constitution, to the requirement of their apportionment among the States. All direct taxes are subject to the requirement of uniformity. The amendment proposes to relieve the imposition of the income tax from the requirement of apportionment, but it does not and they cannot change the nature of the tax. It can not convert a direct tax into an indirect tax, and if it could it does not purport so to do. Therefore, if the power be given by this amendment to the United States, they will take the power without any limitation either as to the apportionment or as to the uniformity, and therefore it would be perfectly competent for the Government of the United States under that amendment to impose a greater tax upon the citizens of one State than upon the citizens of another State, or upon the citizens of one part of the country than upon the citizens of another part of the country, and with the sectional feeling that exists between the East and the West, who is going to guarantee that there may not be, with the dominant Western party in possession of the Government of the United States, taxes imposed upon the East at a greater rate than the tax imposed upon the West?

Mr. Brown: What is the general impression among financiers as to the result which you have just suggested?

Mr. Patterson: That I am not able to say, because I have not discussed it with anybody at all, but I think as a lawyer you will see the force of that objection.

Mr. McNichol: As a lawyer, would that be held constitutional?

Mr. Patterson: The proposition is that an amendment to the Constitution shall be adopted, which would specifically authorize that very thing, and the Supreme Court would be bound by the amendment.

Mr. McNichol: They could assess the Western portion of the country at a particular income tax rate, as against a larger income tax in the Eastern part of the country?

Mr. Patterson: Unquestionably. There is no doubt about it, under the wording of the amendment.

Mr. Brown: In other words, they could include some and exclude others?

Mr. Patterson: They may.

Mr. Brown: And would it not normally bear more heavily upon the Eastern States, the collection of such a tax?

Mr. Patterson: Yes. We have the evidence of that with regard to the income tax of 1861. If you will permit me, I will give you the exact figures as to that. Under the income tax of 1861 and its supplements, where the amount exempted was \$600, the tax was paid by 460,000 persons, and when the amount exempted under the supplement was \$1,000, the tax was paid by less than 250,000 persons. The State of New York paid nearly one-third of that tax, and the States of New York and Pennsylvania paid nearly one-half of the total collection in the country, and an income tax would now, of course, as your counsel has said, bear most heavily upon the Eastern States. But the main point I would like to impress upon the Committee is this: The great danger that we have got at the present time is the consolidation of the States into one government. The great reason for the prosperity of this country has been that we have had in the different States local self-government, and if you are going to give the whole power of taxation to the Government of the United States, it inevitably will result in consolidating everything into one

aggregate government and doing away with the State Governments, and doing away with and impairing the prosperity of the country.

Mr. Brown: In other words, they could tax the citizens of our Commonwealth and of our different political subdivisions as they might see fit?

Mr. Patterson: Yes.

Mr. Brown: And practically, if they so chose, tax us out of existence?

Mr. Patterson: The power to tax is the power to destroy. There is no limit other than the will of the taxing power. I think the answer to that, Mr. Chairman, is simply to quote a word from the somewhat famous letter written by Junius to Sir William Blackstone, in which Junius said: "Laws are made not to trust to what men will do, but to guard against what men may do." That is the whole object of law. The whole object of law is not to trust the individual, but to establish a rule which protects the community by putting a limitation upon the actions of everybody. This is civilization. That is all I have to say.

MR. SAMUEL DICKSON, called.

Mr. Brown: We have invited, as I outlined, the representatives here of those who are directly interested in the question as to whether or not the State of Pennsylvania should ratify the proposed amendment to the Constitution of the United States, authorizing the Federal Government to tax incomes from whatever source derived, and also as to the levying of a direct inheritance tax, and I have no doubt the Committee would be glad to hear your views on those subjects.

Mr. Dickson: I represent the Clearing House and the Fourth Street National Bank, and also Drexel & Company. They have no particular direct interest, other than as citizens in general, in the income tax, and I am not authorized to speak on behalf of any officer or stockholder of those institutions in reference to that. I heard some of Mr. Patterson's remarks, and I think that one point that he made ought to be decisive against the proposed amendment giving Congress the power. That is, that it would be a tax that would operate most unequally and unfairly upon the people of the country. It would be paid practically by New York, Pennsylvania and the New England States, while the majority of the members of Congress are probably from west of the Alleghenies and it would be a tax imposed by the votes of the legislators whose constituents would not feel the tax. Of course, there would be no check upon them in the amount which they would impose, nor is it necessary, because it is always competent for Congress, if it needs the money, to raise it not merely by the duties on imports, but also by excise tax, stamp tax, and otherwise. Of course, the income tax has been introduced particularly of late years abroad. Formerly when it was imposed from time to time in England it was always on something that was tempo-

rary, and they either reduced or repealed it from time to time. All European countries, I believe, now are compelled to revert to income tax. Certainly we are not required to do that with the Federal Government, because they have all the money they really need, and there is no reason why Pennsylvania, which has ample revenue, should resort to that. In addition to that, we know how it was in our own country when we had the income tax. It was one of the most odious and objectionable taxes we had, as Mr. Patterson pointed out, and the honest man pays a great deal more than the dishonest man, relatively. But it operates unfairly upon the people where they have got the capital invested, and it is very hard and unfair on them.

Mr. Brown: Right there, the fact that these people have capital invested is one of the reasons why they think you and I should be taxed and their tax should be reduced.

Mr. Dickson: Their capital remains, whereas the lawyer or the doctor has simply his own person. While he has a capital, it is made up of expenditures over many, many years of expenditures. A medical man to-day, in order to qualify himself, not only spends four or five years in a medical school, but he has a training in hospitals which occupies four or five years more, and he is pretty well along in life before he is able to begin his practice, and he represents really a very large expenditure. No lawyer ever thinks of charging off a certain per cent. to represent what is a depreciation by reason of advancing years, or anything of that kind. He never does it. I doubt if he ever does get his capital back in that way. But I do not propose to discuss that question. At the meeting of the Clearing House, I understood there were a number of banks represented there, but they all agreed that this was not a matter the Clearing House had anything to do with, that it is not within the scope of their authority, and it was the informal expression of opinion that they generally

feel that they would rather bear with the laws they have, than fly to others they know not of. They are quite content with things as they are. First, we are accustomed to this particular method, and, secondly, we would not care to be subjected to any other.

Mr. Brown: Would you care to give us your views upon the subject of taxing direct inheritances?

Mr. Dickson: I am not prepared to discuss that. I think there is one law which you would find strictly unpopular.

Mr. Brown: Assuming that direct inheritances are taxed to-day in practically every nation on earth, and in, say, twenty-five States of this Union, what would be your thought on that condition?

Mr. Dickson: I should not be convinced by that, no. I think, of course, if it were a matter of absolute necessity, the people should have to submit to it, but it is a great hardship, it seems to me, when the head of a family is taken away, that those who are dependent upon him and who enjoy the benefit of the income he is able to earn, are to be subjected to a large deduction from their inheritance. Of course, you will remember that the collateral inheritance tax, which is never paid, I think, thankfully or gratefully by the one who has to pay it, was the result of the great disasters which followed at that time the enormous expenditure of the State in public works—canals, bridges, toll roads, turnpikes, and matters of that sort, so they incurred a debt of something like forty millions of dollars, and then when the depression and disaster followed the panic of 1837 and along in the early forties, it was impossible to create a revenue to pay the interest, and Pennsylvania was very unjustly charged with repudiating it. It was obliged to. The income did not yield what it had been yielding before in good times, what it was expected to yield, and at that time they created the collateral inheritance tax. The Act of 1844 imposed it. Except in emergencies, I do not think there ought to be a direct inheritance tax.

Mr. Brown: Why should there be a distinction between the collateral and the direct?

Mr. Dickson: Because the collaterals, as a rule, get something from the testator who was not the principal source of support, whereas if you tax the children of a man when he dies, they are deprived of his earning power, and you know how it has been with members of our bar, where men engaged in the active practice and earning large incomes, with large families, have been obliged to spend their entire income, and they are stricken down in the prime of life and their children are deprived of a means of education.

Mr. Brown: The law does not impose any legal obligation upon you or me to provide for our children after death. The only obligation is that we cannot exclude our widows. Why should the State do more than the testator himself, or the decedent himself, is required to do?

Mr. Dickson: It is true that it has not been necessary to impose a legal obligation of that kind. In France they do. Very wisely they provide that the father shall not devise or bequeath away more than one-half of his estate, as the children have a vested interest in his estate. I think it was a very wise law. Hitherto with us the possibility of earning a livelihood has been so good and the means of providing for one's self have been so abundant, that we have not found it necessary to resort to that kind of legislation. You remember Dr. Franklin in his day pointed out what was a very remarkable difference between conditions here and abroad, and that was that a widow with a family of children was the most marriageable of women, because a man could marry her and then he would have his wife's children to help carry on the business or do the work for him. Actually in those days children after they passed the age of five or six or seven years were an asset instead of a liability, but unfortunately that is not so to-day.

Mr. Brown: It has been presented to us that the social

element which has tended to contribute so largely to the large fortunes should have some consideration at least at the death of the recipient of those benefits. Mr. Carnegie has said that at least 50 per cent. of these great fortunes should go back to the State, and a man who has been reported to be so penurious, Russell Sage, has said that a large percentage of these large fortunes should go back to the State to represent the social liberty.

Mr. Dickson: In the case of Russell Sage, his widow has been using his estate to better advantage than almost any right person that I know of in this country.

Mr. Brown: And many of the States of the Union provide for this direct inheritance tax to go to the universities, in direct recognition of their services. Why should not Pennsylvania, assuming there is great need for more income for legitimate purposes, such as building roads and improving the school system, etc., levy a direct inheritance tax for those purposes?

Mr. Dickson: As I say, large inheritances, of course, could afford it, but then they do bear their portion of taxation on property of different kinds, and it is certain to be a hardship on the average, and you have got to be governed by averages. It would be a great hardship on the average family, who are deprived of the support they have been having.

Mr. Brown: You are a man of large affairs and represent very large interests. Assuming that there is need for more revenue and that the present taxables are taxed to the limit, what is your thought upon the propriety of the State levying such a tax? Do you feel it is unreasonable.

Mr. Dickson: I am going to simply say this, it is a subject which I have only given superficial consideration to, and my impressions have been from the circumstances which have come to my observation, and the cases under my observation have been those where the inheritance tax would have been a very great hardship. I am not pre-

pared to say that, taking it by and large, it would be so, or any other tax, but I think that on the whole it would be an unjust and unfair tax, for a man pays his tax during his lifetime, and if the property does come into the hands of his children they will have to pay his tax after they inherit it.

Mr. Brown: You think a man ought to accumulate to-day a large fortune and transmit that to others, probably years and years to come, who have no part or parcel in it and make no contribution to the State, whereas he probably in amassing that fortune has used the resources of the State which can never be returned to her?

Mr. Dickson: Your question is a double-barreled one. I think you are dealing with very large fortunes. Now, the number of very large fortunes is not so very great. Really, I think a law which might be modified to advantage is the spendthrift law. I think it is a great mistake and a great misfortune to allow these great fortunes of many, many millions to be put in trust and held practically intact, and to foster absenteeism, which is becoming quite as bad as it was in Ireland. Undoubtedly Ireland did suffer from the fact that the landlords took their rents and spent them in London. Now, with us, we know where the fortunes are supposed to be measured by the hundreds of millions, and where children are able to live not merely in idleness, which perhaps is no great difficulty with the State, and they are probably better off than if they were at work, but where they are able to set such examples of extravagance as to endanger the community very much—Newport.

Mr. Brown: They are a menace?

Mr. Dickson: They are a menace. If you will direct your attention to modifying the law of special trusts, then you can depend upon their coming back in a comparatively short time.

Mr. Brown: We are trying to gather information upon this, and, of course, there are numbers of interests that

insist upon this direct inheritance tax being levied. That is why we are making this inquiry here.

Mr. McNichol: Then you believe, Mr. Dickson, that we should look for our tax in other directions without the direct inheritance tax?

Mr. Dickson: Yes, sir. Really, Mr. Chairman, I think you should look rather to the reduction of the expenditures. I think you have enough sources of taxation now to raise enough revenue, and I think if the affairs of the State were economically administered, you would have all the income we need. There is one line of expenditure as to which the State of Pennsylvania has been rather niggardly, and that is in regard to its institutions of learning. Now, the State of Michigan has maintained the University of Michigan year after year, no matter what the condition of the State has been, and has been making a full appropriation to carry on that great university, one of the greatest in the country. The University of Pennsylvania has received now and then a petty appropriation to pay for part of the expenses of building a hospital ward, or something of that kind.

Mr. McNichol: Wherein have you the knowledge that there should be a curtailment of expenses in any particular direction?

Mr. Dickson: I only know generally from reading the newspapers, and, of course, the newspapers are not satisfied with anything, we know.

SAMUEL B. SCOTT, Esq., representing Germantown
Business Men's Association, called.

Mr. Scott: The Germantown Business Men's Association is one of the constituent members of the United Business Men's Association. I only want to make two points about the mercantile license tax, which have already been brought out here more or less in detail, but as I am not a merchant, but simply a lawyer, I cannot speak as a witness, as some of these other men have done, but simply present two of the theoretical and general objections to the mercantile license tax. The first objection is on the ground of its discriminatory nature. That is to say, the objection which you have heard urged here against the merchants paying tax, while other forms of business activity, from the professions to manufacturing corporations, are exempt. Now, in the long run, it is undoubtedly true that if you tax anybody unjustly, somehow or other they will succeed in throwing the burden to somebody else, but in the long run, in the course of decades or hundreds of years, it is probable the thing will work itself out more or less adequately, but in the meantime you who have been discriminated against, have suffered. There seems to be an idea prevalent, which I think is a totally false economic idea, that there is some particular virtue in the economic function of manufacturing, which should get special consideration from the State. My belief is this, that everything which is necessary for society today is necessary, and that one is no more necessary than another, and that the economic work of vending wares is exactly as important to a community as that of manufacturing wares, and that the exemption not only from mercantile tax but from even a capital stock tax, which is granted in favor of the manufacturer, is a totally unwarranted, uneconomic discrimination in his favor.

That is the theoretical base upon which all these objections which you have heard voiced by different individuals here is finally founded. I think when you are considering the general scheme of taxation it ought to be directed as far as possible towards eliminating the questions of discrimination which are not based upon real economic foundations.

The second general point is that it is the wrong method of taxation to tax industry as against property. The objection I think you have mentioned as having been made by the State about the stocks of stores not having been taxed, whilst that is well taken, each merchant ought to be taxed not upon his business, not upon the amount of business which he does, but upon the amount of property or capital which he has invested. It is no more difficult to ascertain that than it is to ascertain the value of the property of a corporation.

Mr. Brown: He is taxed that now, if he is a corporation?

Mr. Scott: Yes, if he is a corporation. The question if he is a corporation adds a totally new subject of taxation, which on a mercantile business is a third tax. First, his local and real estate; second, his capital stock tax to the State, and, third, on top of all that, his mercantile license tax. For the moment I am leaving out the question of whether or not he is a corporation, because I think that is an addition and does not touch the economics. It has been brought out here by the men who are more intimately in touch with the facts that a tax on gross sales is a very inequitable method of arriving at the tax upon a man's property. The theory of the law was that if you took his gross sales you got a pretty accurate estimate of how much he was worth, but it has been shown that enormous sales may go on and with enormous profits, and with no capital whatsoever. For instance, take the broker. Suppose I was to make a contract with a large mining firm for half a hundred thousand tons of coal,

and I should go to a large consumer and negotiate that contract. I have no capital involved whatsoever. I might make a very large profit, if I was fortunate in making a good turn; I might make ten cents a ton and I might not make such a great profit, but out of that enormous difference the mercantile license tax takes no account whatever.

Mr. McNichol: Why shouldn't he pay something, say a mercantile tax, to the State?

Mr. Scott: Because I think he only ought to pay on the money which he finally succeeds in making and saving. I don't think as a general proposition that men's efforts should be taxed. He may have started as an office boy and gradually by his industry and efforts got himself in such a position.

Mr. McNichol: Those are remote conditions.

Mr. Scott: Those are only illustrations, perhaps inadequate ones, but the general proposition I am trying to lay down is that the tax ought to be on property, and not on men's efforts.

Mr. Brown: You don't believe men's efforts alone produce results in business, do you? Are you not forgetful of the social feature of it? A man may have a monopoly of the business and manufacturers are compelled to buy from him. He may be specially favored in a hundred ways.

Mr. Scott: That is the principle upon which public franchise taxes are estimated, but the ordinary business man who enters in open competition with every other business man—some men are more successful, usually because they are better men—if his success is so great that he accumulates property, tax him on it. If he spends it, somebody else gets it and is taxed on it.

Mr. Brown: Wouldn't you do that, if you taxed net income instead of gross sales?

Mr. Scott: Net income is only palliative. It is what the merchants have suggested as better than gross sales. I don't think it comes up to the requirements of the theory. What you ought to tax is the value that man has used in his business. Not necessarily money, but whatever he has.

WELLINGTON M. BERTOLET, ESQ., representing the Pennsylvania Retail Coal Merchants' Association, called.

Mr. Bertolet: We are opposed to the mercantile tax. In the first place, we are speaking for the Pennsylvania Retail Coal Merchants' Association, a body of about seven hundred and fifty retail coal merchants, of whom one hundred and ten are doing business in the City of Philadelphia. These men we estimate handle approximately two million tons of anthracite coal per year, at an estimated sale value of ten million dollars, on which they are paying the one mill tax under the mercantile license tax law, as well as the individual license tax of \$2.00. These men, in the first place, appreciate the fact that the mercantile license Act is a revenue Act, pure and simple, but at the same time it has not been made clear to us that as a revenue measure it is at all necessary. We assume that the Legislature does not wish to tax anybody unless they need the money for revenue purposes, and an examination of the Auditor General's report for 1909 seems to show that the debt of Pennsylvania is small, and what small debt we have is more than covered by our sinking fund, and moreover that at the end of the fiscal year of 1909 there seems to have been a balance of six millions dollars in her Treasury, which is the case of the four or five years previous. So if it turns out to be the fact that we have enough revenue in our Treasury without the mercantile license tax, without the \$1,200,000 which was paid in last year under this Act, it seems to me there ought to be a very good reason why a tax of this kind should be discontinued.

Mr. McNichol: Do you think it is a wise policy to spend from five to seven years in the construction of roads and buildings, when there is not enough money in the State

Treasury to complete them? As a business man, you would not enter into an enterprise unless you had the money to do it with?

Mr. Bertolet: I might borrow it.

Mr. McNichol: Well, you would borrow it, but the State doesn't have access to that borrowing proposition, because the Constitution prohibits it. If you were barred from borrowing money, you would have to go in some other direction.

Mr. Bertolet: Yes.

Mr. McNichol: What about the roads? You see if we allowed our conditions to exist in Pennsylvania today, which is practically worse than any other State in the Union, almost, if we allowed them to continue for a period of years——

Mr. Bertolet: I think if the people of Pennsylvania want their roads, they ought to tax their people for roads, but the question is whether the mercantile license tax law is the proper method to do it. I am taking the report of the Auditor General to show that as the finances of the State today are considered, we do not need any more revenue for our current expenses.

Mr. McNichol: But the Constitution prohibits the Legislature from borrowing any money for any improvements. Where are you going to get the money? That is what we want to hear from you gentlemen; how we are going to get the money.

Mr. Bertolet: We desire to show that the mercantile tax law is not the best method of getting it, and I am speaking merely for the retailers, and I think it ought to be pointed out that the retail end of the mercantile business has been paying three-fourths of this tax. I am reading from the Auditor General's report of 1909, and I find the retailers paid \$908,000 of that tax that year, whereas the wholesalers paid \$314,000, and the brokers \$48,000. We cannot understand why any distinction of that sort should be made between the retailer in business

and the wholesaler. We think that the majority of this tax, if it is to be imposed at all, should be imposed upon the men who have the least risk in business, and at the same time are generally understood to make the greatest net profit. It seems to me that it is well understood, and it is borne out by the reports of Bradstreet and Dun, that the retailer in business today undergoes the greatest risk of any branch of business, and at the same time his percentage of profit is the smallest. I think you gentlemen will agree with me that the retailer today who makes a profit of 10 per cent. is doing a good business and it is exceptional. Therefore, why should the retailer be asked to pay a mill on the gross volume of business, whereas the wholesaler pays one-tenth. Therefore, we say this measure is unequal in that respect.

Another point we wish to make is that the retailer stands as a distributor between the wholesaler and the public. He is the man who is compelled to supply the public with the necessaries of life, and therefore he must incur all the risk of credit, which naturally comes by supplying that class of people. In the second place, we take exception to this measure because it taxes the gross volume of business. To take an isolated instance, I was connected professionally with a small corporation who did a business of \$43,000 in the year 1908. That year that business lost \$1,200, and still they paid their mercantile tax of \$43, plus the \$2.00 in fees. That is an illustration to show exactly what happened to a losing retailer under this Act, and we think if this tax is necessary at all it should tax the net income and not the gross volume of business. It seems to me it is not an answer to that proposition to say that the net profit is more difficult to determine. It is not any more difficult than the present method of going into a man's books. Under the mercantile license Act if the mercantile appraiser is not satisfied with the return, he can call the merchant before the County Treasurer and open his books and show up his private

affairs just as much as if he required a report upon the net income. We do not desire to shirk necessary taxation, but if the tax is necessary we feel the Act should be so amended as to tax only the net income or net profit of the business, rather than the gross sales. We have some objection to this Act on the score of its administration. A careful study of the cost of collection under this Act seems to show that it costs about $10\frac{1}{2}$ per cent. of the amount collected to bring in this \$1,200,000 to the State. We are astounded to find that of the \$156,000 which it cost to collect this tax, \$67,000 last year were spent in advertising the mercantile list in the newspapers of the State.

Mr. Brown: Outside of Philadelphia?

Mr. Bertolet: Outside of Philadelphia, which, I believe, gets along without any advertisement. I cannot understand what good advertisements of that character do. It serves no notice to the public. The only good that the public can gain from a list of that sort is that there are twenty coal merchants in Reading, etc., and it does not do the merchants any good. They have no advertisement to gain. In fact, to us it seems the only persons who are benefited by that tremendous expenditure of over one-third of the cost of collecting this tax are the newspapers themselves, and we feel that this Act, if it is to remain in force, should be amended, and furthermore, as a general proposition, representing these business men, we feel that beyond the desire to increase our taxes for the purpose of building roads or making other public improvements, there are opportunities (as this \$66,000 item) to gain revenue by retrenchment.

Mr. Brown: How are you to do that, unless you cut off the appropriations to the hospitals and other charitable institutions? Are you in favor of that?

Mr. Bertolet: I am certainly in favor of curtailing appropriations to charitable institutions other than those fully controlled by the State.

Mr. Brown: Take the schools. The Superintendent of Public Instruction says there is need for the expenditure of from twelve to fifteen millions of dollars more for the payment of teachers' salaries. Now, that would only bring her school system up to date. What is your thought on that? Do you think that we ought to bring the school system up to what it is in other places, and furnish the money?

Mr. Bertolet: I think we ought to bring it up to the quality of other States, but I don't see how that method would do it. I think the appropriation for the schools is going to be made. My only criticism is that large appropriations seem to be made to semi-public hospitals, you might call them; hospitals which are governed by business men, which are not under the control of the State, and my experience has been that a good business man who is on the board of directors of a hospital will make it a matter of personal interest to go to Harrisburg and appear before a committee in order to get an appropriation for that hospital. It is a matter of business pride.

Mr. Brown: And then he goes out in the community and raises how much money to help it?

Mr. Bertolet: He may go out and help raise some money, but on the other hand he may not appear at the hospital to find out how that money is being spent. The Auditor General's report shows the tremendous cost of semi-public institutions, as compared with purely State hospitals. I think he goes into the question of clothing the inmates and all that, and it shows by careful business management the cost of conducting these institutions could be lessened. It seems to me that is a method of retrenchment, and it doesn't necessarily follow from that argument that we object to the support of charitable institutions by the State, but if the State is going to support them, it seems to me it is the duty of the State to see that they are properly managed. I have a short brief I would like to file.

Mr. McNichol: If you have any particular information that any particular institution is not being properly managed, I would like to have it.

Mr. Bertolet: I haven't it. I have only gathered it from general information.

Mr. John Cadwalader, Jr.: I have asked permission of Mr. Brown to read a letter my father sent. He takes a great deal of interest in this matter, and asked me to read it, and with your permission I will do so.

York Harbor, Maine, October 4, 1910.

Mr. Francis Shunk Brown, Esq.,
Room 496, City Hall,
Philadelphia.

Dear Sir:—

I regret extremely that my absence prevents my being present tomorrow at the public meeting to be held by the Committee you represent, in regard to the ratification by Pennsylvania of the proposed amendment to the Constitution of the United States authorizing the taxation of income from whatever source derived.

I trust the Committee will report adversely on this question.

The wisdom of the framers of the Federal Constitution was nowhere more clearly shown than in the provisions relating to taxation. Realizing the great importance of avoiding a conflict and duplication by Federal and State authorities, the provision for an exclusive source of revenue for the Federal Government, the first paragraph of the 8th Section of Article 1 provides that Congress shall have the power to lay and collect taxes, duties, imposts and excises to pay the debts and provide for the common defence and general welfare of the United States. And by the second paragraph of Section 10, Article 1, it is provided that no State shall, without the consent of Congress, lay any imposts or duties on imports or exports. The fourth paragraph of Section 9, Article 1, which pro-

vides that no capitation or other direct tax shall be laid unless in proportion to the census directed to be taken, gives the power then absolutely necessary to lay an income tax; but in such a way that the States would be called upon to make their pro rata contribution, and thus avoid the confusion and injustice that will arise if this power of levying direct taxes and especially the direct tax known as an income tax is devolved upon Congress. The wisdom of separating the subjects of taxation for the different communities entitled to lay taxes has been recognized by our State with admirable results. The relief of all real estate from taxation for State purposes and placing that all-important source of revenue under the control of the various counties by which a just and equal appraisement and rate can be secured by those directly interested has been most advantageous. The exclusive power to raise revenue by taxing imports for the Federal Government can be exercised in a manner to secure a greatly increased revenue above that now secured by Act of Congress. The suggestion that it is important for the purpose of obtaining necessary revenue for the Federal Government that the enormous centralized power of levying taxes upon individuals be given to it is antagonistic to every theory upon which the separation of State and Federal authority is based. The equal representation of any State in the United States Senate at once becomes entirely unjust and unreasonable. Four States, New York, Pennsylvania, Ohio and Illinois, contain about one-third of the whole population and probably more than three-fifths of all the taxable wealth of the United States. If direct taxation of the people of these four States is to be left to Congress, except as now provided, then their representation of but eight Senators will be grossly insufficient to protect their proportionate rights from unequal legislation. It is remarkable that this subject of taxation of incomes should have become so widely considered as a proper power for the Federal Government when no important State has ever exercised it within

their own bounds, though free to do so. While it is a relief to have the proper method of securing Constitutional powers obtained by an amendment to the instrument rather than by a strained interpretation or misinterpretation of the plain language used therein, it seems to be the result of mere sensational excitement rather than of sober thought that this amendment has been proposed. Theoretically there is much to be said in favor of such taxation. Practically it is not only almost impossible to have an equitable basis for the tax, but from its necessarily inquisitorial character nothing could be more offensive. In England the returns are strictly confidential. In this country the prevalent thought in regard to the tax is publicity. In our city real estate pays a tax equal to about 30 per cent. upon the annual productiveness, either actual or estimated. It can hardly be contended that this is not an extreme burden. If a Federal income tax is to be added to this the loss of taxing value to the community will, of course, follow, and general derangement of revenue will follow. The great objection to the amendment is the great addition to centralization of power in the United States Government and the surrender by the States of their sovereign power of taxation to an extent they are not carefully considering. That so-called socialism is at the bottom of the movement is evident, and it appears very attractive to a class to imagine that they will not bear the burden. It is always difficult to instruct the average citizen so that he can understand that all burdens of taxation are shifted from one class to a lower until finally resting upon the lowest, which cannot transfer it.

I have written this without time even to read it over, and it is necessarily crude, but I wish, however imperfectly, to express my earnest hope that Pennsylvania will reject a measure so injurious to her best interests as well as the best interests of every other State.

Very respectfully yours,

JOHN CADWALADER.

Mr. Brown: In that connection I might read two letters which may be of interest to the Committee, one from Mr. John G. Johnson, and one from Mr. Jos. G. Rosengarten.

September 30, 1910.

Francis Shunk Brown, Esq.,

Counsel, Joint Committee of the Senate and House of Representatives of Pennsylvania.

Dear Mr. Brown:—

I beg to acknowledge receipt of yours of the 29th of September.

I tried to find, but have failed, a paper signed by several New York lawyers, which was addressed to the New York Legislature in opposition to the adoption of the Income Tax Amendment to the Constitution of the United States. It very clearly puts the points of objection.

I regret I cannot be present at the meeting of the Committee; but I think the imposition of an Income Tax is very greatly to the prejudice of Eastern interests.

It will serve to inaugurate socialistic or semi-socialistic plans and principles.

I see no reason why the Constitution of the United States, which was worked out by men who thoroughly understood the needs of the Nation, should be altered in this respect.

Very sincerely yours,

JOHN G. JOHNSON.

October 1, 1910.

Francis Shunk Brown, Esq.,

Counsel for Pennsylvania Committee on Corporation Revenue Laws.

Dear Sir:—

Yours of September 27th, inviting me to attend your meeting on October 5th, is at hand. Absence from

Philadelphia will prevent my doing so. Let me, however, make my earnest protest against any favorable action by your Commission on the proposed amendment to the Constitution of the United States authorizing the Federal Government to tax incomes from whatever source derived. It is high time that the States should conserve their own resources and maintain the exclusive right to tax incomes, wherever necessary. The expenditures of the Federal Government have increased, are increasing and ought to be diminished. To do that effectually the best course is to limit its sources of revenue, not to enlarge them by an income tax. That should be reserved for the States. Then, for example, the State of Pennsylvania could surrender its tax on personal property to the cities, just as it has given them the tax on real estate. Municipal expenses must and ought to increase to meet the proper demands of our urban population for proper outlays for improvements, e. g., better water supplies, better water fronts, better sanitation, and other such needs of our great and growing cities. Our rural population, too, ought to get the personal taxes within their counties for better roads, better schools and better sanitation through modern methods. The State of Pennsylvania can now meet all just demands with the income from taxes on corporations, franchises, etc., easily raised and steadily increasing. All other taxes are needed by and ought to be given to counties and cities and the use of such income strictly supervised by competent State inspectors. The improved sanitation by the Health Department of the State shows what State experts could do for roads and other needs of rural districts. The Federal Government ought to limit its growing expenditures, and the best way to do that is to limit its revenue. The tariff is and should be its main supply, and by maintaining, or, if need be, increasing the present rates of duty on imports, domestic manufactures and commerce will be increased and the country enriched

from its own resources, and not impoverished by importation of articles that can be grown or made here. To amend the Constitution so as to allow the Federal Government to levy an income tax would weaken the resources of the States and lessen their ability to provide for the just demands and pressing needs of their population. A Federal income tax means an increase of Federal tax gatherers, now an unpleasant feature of our daily life. The methods of collecting State and county and city taxes are now familiar and easily applied. Any change back to the Federal income tax of war times could only be justified, but until that unhappy state of affairs arises, let us restrict Federal revenues to Federal needs and keep an income tax for the States.

Yours truly,
J. R. ROSENGARTEN.

MR. CHARLES L. FLUCK, President Northwest Business Men's Association, called.

Mr. Fluck: Mr. Chairman and Gentlemen of the Commission:—I have been asked to represent the Northwest Business Men's Association in opposition to the mercantile tax.

Through no fault of mine, I am not in a position to hand a brief to this Commission to-day, but I have the thoughts and suggestions which have been thrown out by some of the questions that I believe the Commission is anxious to know. They can have them for what they are worth. And, in stating that the Northwest Business Men's Association is comprised of a membership of something like three hundred and fifty business men of Northwest Philadelphia, I believe their opposition would be the same as mine, personally, in this respect: That if the payment of the mercantile tax is necessary to maintain our schools, or asylums, or our homes and institutions, then we do not object to paying that tax.

But we believe that the tax is not necessary to maintain these institutions.

The gentleman who preceded me spoke on the question of Treasury balance, and I will not worry the Commission by going over that thing again, because that is the position I was going to take.

Now, Mr. Counsel and gentlemen of the Commission, in relation to the mercantile tax, I wish to present to you my process of reasoning. This is the point:

I, to-day, might be a mechanic; that is, I might make my living by some kind of labor. If, tomorrow, I go into the business of selling merchandise, although I apply the same industry in making my livelihood, my standing, so far as the State is concerned, would be entirely changed; because the State, which did not tax me for my industry

in making my living in a mechanical way, would immediately step in and say, "We are going to tax you now, because you are in business." I submit, gentlemen, that if I have stepped out of the mechanical field into the business field, the State gives me no more protection, it gives me no more privileges, than I had when I was a mechanic. I may be called upon to devote a great deal more industry and time and work to make my living in the selling merchandise business, either wholesale or retail; and yet the State comes along and says, "We need some of that money to maintain the State." That is the position that every business is taking on the question of the mercantile tax—that it is an unjust levy; that he is not getting any more than a man who is not doing business as far as the State is concerned in the shape of privileges.

Now, if, instead of an individual going into business, I combine with three, or four, or five other men and apply to the State for a charter to engage in a mercantile business, I am then getting a special privilege from the State, in the fact that the minute we become an incorporated body in the transaction of business, my personal responsibility ceases.

Now, in the nature of corporations, there are two classes of corporations. That is, the State will grant incorporation to men who want to go clearly into the mercantile business. They do not give it to them as an exclusive privilege for going into that particular business. But there is a class of people who have gone to the State and have become incorporated to do certain things, and to do these same things, the State of Pennsylvania will not give the same privilege to any other group of men. By that, I mean particularly, as an example, the corporations such as the street railway companies of the City of Philadelphia. That is, the State will charter a combination of men, making them an incorporated body, to relieve them of personal responsibility, but it will not give the same right to any other group of men. That is an exclusive privilege.

The question I want to ask this Commission now, is this: Why not determine where the revenues of the State shall come from, beginning at the point of asking the question, Who are the specially benefited people in the State? Who are the people that have received benefits greater than any other individual or any other corporation in the State of Pennsylvania. Why don't these people who have received exclusive privileges also be made to bear the burden, if necessary, to a reasonable degree in replacing the revenues that are unjustly imposed upon us as small business men?

I want to give you just one example of what I mean. For instance, a great many years ago there was a company incorporated—a concern known as the Ridge Avenue Passenger Railway Company; its authorized capital stock was seven hundred and fifty thousand dollars—fifteen thousand shares at fifty dollars a share. There was paid in on that stock four hundred and twenty thousand dollars, or twenty-eight dollars a share. That concern—that is, the property of that concern (and the only property it has remaining to-day, gentlemen) is the exclusive right that the State gave it to run a street railway on Ridge avenue. It has no property of its own at all so far as rolling stock is concerned; it has been leased, and leased, and leased. That property to-day is bringing one hundred and eighty thousand dollars a year on those fifteen thousand shares of stock, and the business proposition is worth three millions of dollars. In other words, the condition of affairs is that the company has been given an exclusive right to do a certain thing, and the State protects it in that privilege; it was originally authorized to be capitalized at seven hundred and fifty thousand dollars, only four hundred and twenty thousand ever paid in on it, but is worth today three millions of dollars.

Mr. Brown: What is it taxed at, Mr. Fluck?

Mr. Fluck: I cannot give you tax figures. They pay a tax on capital stock the same as others.

Mr. Brown: It is taxed away above the money you say is paid in?

Mr. Fluck: Yes. I only question this point. Since May, I have been trying to get some Government reports to be able to answer such questions as you have put at me—to be able to come here and give you the necessary proof of what I may say.

Mr. Brown: I think this was all published some time ago by the Transit Company?

Mr. Fluck: I am not speaking about the Philadelphia Rapid Transit Company. I am talking about the people who own the franchises for Ridge avenue. These are the people you are not getting at. I say there is something that calls for correction, and it is in the value of the capitalization. For instance, the enormous difference in the value of the capitalization—between the seven hundred and fifty thousand authorized capitalization, of which four hundred and twenty thousand dollars was paid in, and the three millions of dollars that the proposition is worth to-day on a 6 per cent. basis.

Mr. McNichol: Are you in business, Mr. Fluck?

Mr. Fluck: Yes.

Mr. McNichol: How long have you been in business?

Mr. Fluck: About fourteen or fifteen years.

Mr. McNichol: What was the capitalization of your business at the start?

Mr. Fluck: It was very small—it was nothing.

Mr. McNichol: Approximately—ten dollars, a hundred dollars, a thousand, or what?

Mr. Fluck: Nothing.

Mr. McNichol: What would you sell it at to-day?

Mr. Fluck: I would sell it at a figure that I would not care to mention here to-day, but a great deal more than nothing.

Mr. McNichol: Will you tell us what brought about that enormous increase of to-day over fifteen years ago in your business?

Mr. Fluck: I will say that it was through no exclusive privilege given to me by the State of Pennsylvania.

Mr. McNichol: Getting back to Mr. Carnegie, how can you get at him? He has derived all the benefits of the times, the demand for a particular material and things of that kind without the question of exclusive privilege. A man who has a particular business is going to make his future by his exclusive industry?

Mr. Fluck: Yes, but Carnegie had opposition, and he has it to-day and should have it. I have had opposition in all the years that this thing has been brought about. That is what my business represents to-day as compared to years ago—my industry, my hard work.

Mr. McNichol: Isn't it true that the Ridge avenue line has had competition and opposition for years and years up to the time—a certain period—when they consolidated?

Mr. Fluck: No. There was no opposition on Ridge avenue.

Mr. McNichol: But there was, until the Union Traction Company, I think it was, opened these lines. I remember the railway situation there?

Mr. Fluck: Yes, but, Mr. McNichol, the opposition I mean is this: That no other group of men will get from the State of Pennsylvania the right to run a railway on Ridge avenue.

Mr. Brown: It would be inconsistent to run two. How do you distinguish between your individual efforts and the united element in the running of a business? No matter how hard you work, if the State of Pennsylvania did not build schools and churches, and do all sorts of other things to bring the people here to buy your goods, you would not profit. Shouldn't you make some contribution on that account?

Mr. Fluck: I have stated, Mr. Brown, that I am willing to make that contribution. I stated that, personally, if the payment of the mercantile tax was necessary to main-

tain our schools, asylums, homes, and other institutions, I am willing to pay it. But I believe the State is going about placing its hands in the pockets of some merchants throughout the State of Pennsylvania for various sums running from five, ten and twenty dollars, when they are overlooking certain people that have obtained exclusive privileges from the State, and could easily bear the burden that the small men are called upon to bear.

Mr. Brown: You mean those with these exclusive privileges are not paying their share today. They all say they are. You would be surprised to read some of the complaints filed. The small men demand a tax from every man in the Commonwealth, and they would put them in jail for not paying it.

Mr. Fluck: Mr. Brown, the position I am taking is one that I have clearly set forth, and I am clearly trying to set forth that you gentlemen are looking for places to place burdens that other people object to.

Mr. Brown: As I understand you, your thought is those with exclusive privileges should bear the burdens. Are you figuring in that the element of convenience to the public? If you didn't have a traction company in Philadelphia it would not amount to shucks. If you hadn't the Ridge avenue line, a large portion of Philadelphia, for instance, would be inaccessible.

Mr. Fluck: If we hadn't the Ridge avenue line we would have had a better one long ago.

Mr. Brown: The higher you tax them, the more you may have. Is that your idea?

Mr. Fluck: There are certain people to-day who are doing nothing for the community.

Mr. McNichol: Have you knowledge to that effect?

Mr. Fluck: They exist as a corporation.

Mr. McNichol: Can you give us the corporation you especially refer to?

Mr. Fluck: I will do it willingly.

Mr. McNichol: We will be glad to have you file your proof.

Mr. Brown: Do you consider the mercantile tax as bothersome to the merchants to-day?

Mr. Fluck: Undoubtedly.

Mr. Brown: Is it an element you fix in doing business, and competition with others?

Mr. Fluck: No.

Mr. Brown: It is a diminutive tax, isn't it?

Mr. Fluck: Yes, it is so small it is bothersome. I, as a small man, will say the mercantile tax I pay is, for instance, twenty dollars a year. I don't object to paying that. But when the State comes along and says they want that twenty dollars from me when it is clear that they do not absolutely need it, and if they do need it, there are other sources of revenue where people have gotten exclusive privileges from the State which I have not, I feel like saying that that twenty dollars is unjustly taken out of my pocket.

Mr. Brown: As a matter of fact, outside of the corporations which are exempted, there is no advantage in a corporation except if suit is brought——

Mr. Fluck: That is right.

Mr. Brown: Is it not so that a corporation offers no advantage to a man who goes into the corporation except for his interest fixed by his shares of stock?

Mr. Fluck: Yes.

Mr. Brown: Is that any special advantage over the other man in the same line of business?

Mr. Fluck: I won't argue that.

Mr. Brown: Do you consider a corporation any better (being a corporation) than the individual who does the same business?

Mr. Fluck: There is the advantage in the fact that he is relieved from personal responsibility.

Mr. Brown: The officers are sued if it amounts to anything?

Mr. Fluck: I won't argue that. There are some corporations in the State of Pennsylvania which have been greatly benefited by the State. These stockholders have been greatly benefited; they are enjoying exclusive privileges which mean millions of dollars a year to them.

Mr. McNichol: Don't you refer to fifty years ago?

Mr. Fluck: The conditions are so to-day.

Mr. McNichol: Where are they now—the conditions to which you refer as to the Ridge avenue line?

Mr. Fluck: I am not asking this Commission to correct the conditions, but I am suggesting to this Commission that there are to-day in existence certain corporation bodies which are enjoying exclusive privileges from the State of Pennsylvania, and which, under the circumstances, I don't believe are bearing their share of the burden.

Mr. Brown: I think it is true that Pennsylvania, with possibly a few corrections here and there, is taxing its corporations fairly considering the franchises. It is included in the capital stock. The Pennsylvania Railroad pays a tax, in the capital stock, of four-fifths of 1 per cent. on the gross receipts, and is locally taxed on its buildings. What more tax would you put on them?

Mr. Fluck: I must confine myself to the street railway conditions, because I have not been able to get statistics together to make argument except along these lines.

I am willing to state that the greater part of the revenue comes from the tax on corporations. I have before me the platform of the Republican party, the governing party of Pennsylvania in the year 1909, which brings that out very clearly.

Mr. Brown: The governing expenses of the State of Pennsylvania are as low as any State in the Union. Do you know that?

Mr. Fluck: I am on this statement now, and that statement is a good, strong statement.

Mr. McNichol: We want you to give us your views and file your papers and we will take the matters up. When it comes to a question of politics, we will adjourn from this building and take up the matter in another room.

Mr. Fluck: I only wish to read this statement.

Mr. McNichol: We ask you to give your views and file your papers and we will be glad to take them up.

Mr. Fluck: The mercantile tax represents one million dollars, which represents one-twenty-eighth of the revenue of the State of Pennsylvania at the present time, and my position is that the one-twenty-eighth of the revenue of the State of Pennsylvania is placed upon people who are getting no special consideration from the State and should not be called upon to pay that tax.

Mr. Brown: Don't you get the same consideration from the State that I would get if I had money at interest on which I paid a tax. If I pay four mills—two-fifths of 1 per cent. on my money at interest—what more benefit do I get than you?

Mr. Fluck: I am not talking about that.

Mr. Brown: You say you do not reap any benefit from the State, and hence you should not pay a tax.

Mr. Fluck: Why should I pay this special tax which is imposed upon me? Why should it be imposed upon me?

Mr. Brown: You get the united benefit which must be figures in other men's individual efforts. A man living on an island means nothing, but in the City of Philadelphia he has all manner of possibilities. That element should be considered in systems of taxation.

Mr. Fluck: I am willing to pay for that element if I am in a location which has great possibilities. My place in which I do business is already taxed by the City of Philadelphia.

Mr. McNichol: For which it gives you greater returns than any other section of the country. Isn't that so, Mr. Fluck?

Mr. Fluck: I believe, Mr. Chairman, that we have the greatest city in the country.

Mr. McNichol: And you are glad to be in business here?

Mr. Fluck: I expect to stay here in business.

Mr. Brown: Does your business give a fair return, so far as a small business is concerned?

Mr. Fluck: I have no complaint to make with the return from my business; but I do complain that the State of Pennsylvania comes to me and says to me, "We want you to pay a tax," and I believe that it is an unjust tribute that I am paying to the State of Pennsylvania. If there are people who have received a great deal more from the hands of the State than the small business man, those people should be willing to bear the burden.

Mr. McNichol: What is your business?

Mr. Fluck: The drug business.

Mr. McNichol: Can you tell us the volume of your business for the year 1909?

Mr. Fluck: I will tell you privately. It is none of the public's affairs. I would state that some of the arguments that have been presented against the mercantile tax were intended to demonstrate the extent of dishonesty. I don't know that anybody has ever been dishonest in making a return of the volume of his business. I will say for myself, that when the mercantile assessors come along, I carry my books out before them, and they have the privilege of computing the columns for themselves; and I believe the majority of the small merchants do the same. If this Commission wants the volume of my business, they can readily ascertain it at the office where my returns are made.

No further questions by the Commission.

Mr. Brown: I believe we have with us Mr. Purvis, of the Philadelphia Saving Fund. We would be pleased to hear from him.

MR. G. COLESBERRY PURVIS, of the Philadelphia Saving Fund.

Mr. Chairman and Gentlemen:—I believe that everybody should pay a tax. The only question is, how to make it fair, so as to have it fall in an equitable manner. Therefore, I am not here to say anything against the tax of the Philadelphia Saving Fund, although I represent two hundred and seventy-two thousand of the wage earners of Philadelphia—the working people—who gather together a large sum of money, averaging about four hundred dollars apiece; and we pay a 3 per cent. tax on the net earnings.

What I am here to say is that we are glad to pay that tax, for we represent these wage earners. As I said before, everyone should pay a tax, and I say that the tax law should be as it stands today.

Mr. Brown: It has been suggested that the deposits in your saving fund should pay a four mill tax.

Mr. Purvis: The answer to that is that the Legislature at their last session repealed that tax for the very reason that it was unjust—they relieved us of that tax. We pay this one tax, now, of 3 per cent.

Mr. Brown: Why should the depositor in your institution who received interest be exempted from the payment of a tax on that interest, when the depositor in some other institution of another character has to pay a tax on the moneys which he has at interest?

Mr. Purvis: This is a tax on savings. In reference to that, if you take the Act of Assembly literally, it would apply to all deposits of savings funds, banks, trust com-

panies and banks of every form; but there has been, from the time of the enactment of that Act, the consensus of opinion that the Legislature did not intend to include money that was moved backward and forward, that was here today and tomorrow might be drawn out. In reviewing that law, Mr. Eastman, in his tax book, says that while it is within the letter of the law, he does not believe it was intended by the Legislature, and, consequently, I may add here, there are very few returned.

Mr. Brown: Why shouldn't they be returned?

Mr. Purvis: Suppose we give the return of tax, and the next day they draw it out—then it is not paid until the following August?

Mr. Brown: Suppose the treasurer of your institution pays the tax based on the average deposits. That is, you pay the interest on the deposits, and then take it from the depositors again.

Mr. Purvis: That is just the tax that the Legislature has removed from us.

Mr. Brown: I am asking now why, in justice to all who are not depositors and who pay taxes, you should be exempted?

Mr. Purvis: For the reason that we pay one tax of 3 per cent.

Mr. Brown: You pay that tax?

Mr. Purvis: Yes.

Mr. Brown: As an incorporated society, you pay that?

Mr. Purvis: Now, you take the annual savings banks; with a tax of 1 per cent. on the surplus, I don't think that would be as good as the 3 per cent. on the net earnings, because there is the investment, and it might not be the surplus that it ought to be applied to. Then you take, as was suggested in your circular—suppose you put a tax on the assets. You must recollect that the great bulk of our assets are composed of bonds, on which the corporation has already paid a tax, so that you would

be imposing another tax again when they are considered as assets of the savings bank.

There are only nine savings banks without capital stock. We pay the depositors' tax and expenses and all the rest; whatever is over goes to surplus and deposits. There are only nine savings banks in Pennsylvania without capital stock, which represent, in the City of Philadelphia, over three hundred and fifty thousand of the wage earners—that means about one-quarter of the population represented by the depositors.

Mr. Brown: What do the deposits amount to?

Mr. Purvis: One hundred and eighty-seven millions in the whole State. They are subject to this 3 per cent. tax. Now, what I suggest is that the tax as it stands is a perfectly just and right one; and the wage earners, whom we represent, are taxed as high as working people ought to be.

Mr. Brown: Mr. Purvis, what is your thought on the income tax?

Mr. Purvis: An income tax, I think, if it could be fairly taxed, is the fairest tax in the world.

Mr. Brown: By the Federal Government or reserved by the State?

Mr. Purvis: I think it should be reserved for the State. There is a reason. I think the present tax on the corporations is the proper tax for the Federal Government. A corporation is a modern institution in which you have gathered together the stockholders from whom you get the income tax, and those are the ones who can afford to pay it. It seems to me that when you tax a corporation, or the stockholders, you have gotten at it in the fairest way.

Mr. Brown: What is your thought on the direct inheritance tax, Mr. Purvis?

Mr. Purvis: I would exempt small estates if it could legally be done. Then have a trifling tax regulated as

the estate increased in amount. I see no reason why it could not be done.

Mr. McNichol: What would you call a small estate, Mr. Purvis?

Mr. Purvis: I would say I would not tax anything under ten thousand dollars.

Mr. McNichol: How about ten thousand dollars for a man with four, five or six children?

Mr. Purvis: I would raise it.

Mr. McNichol: In other words, you would exempt large families.

Mr. Purvis: I would if it could be legally done. I think everyone should bear his burden according to his ability.

Mr. McNichol: How about the State providing a bounty for the raising of children? It would give a deserved measure of relief to those who are doing their duty to the State and society generally.

Mr. Brown: I see no reason why that suggestion should not be adopted, Mr. Chairman. Mr. Dooley says the State taxes dogs, and he sees no reason why bachelors should not be taxed.

Mr. McNichol: I believe in people going along and enjoying the pleasures of life, and where a man has a certain amount of money distributed between too many people, there would not be much in it for any one of them.

Mr. Purvis: There is another thought I want to throw out, which, I suppose, would not be met with favor, and yet, at the same time, it would count, I think. We tax in the collateral inheritance tax, 5 per cent on all legacies. Wouldn't it encourage legacies to hospitals and homes if they were made free from the collateral tax? We tax these legacies, and yet they are all in relief of the State. They are all in aid of the State, and the State taxes them. All these moneys go to support and build up things that

the State would otherwise have to build and maintain. If it was freed from that, wouldn't it encourage legacies?

Mr. Brown: We have a brief on that subject, Mr. Purvis.

No further questions by the Commission.

Mr. McNichol: It is the desire of the Commission at this time to have lunch. If there are any gentlemen who desire to be heard, we shall be glad to return this afternoon for that purpose.

Mr. Brown: Well, Mr. Chairman, there are quite a number to be heard.

Mr. McNichol: We will then adjourn until two-thirty this afternoon.

ADJOURNED AT ONE-THIRTY P. M.

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